

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 8, 2025

NEW ISSUE – BOOK-ENTRY-ONLY

RATING[†]: S&P Global Rating Services: “AA/AA-”
BAM Insured/Underlying

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel to the City, under existing law, subject to compliance with certain covenants by the City, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, and (iii) the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein and Appendix E hereto.



\$18,755,000* CITY OF PONTIAC COUNTY OF OAKLAND, STATE OF MICHIGAN 2025 CAPITAL IMPROVEMENT BONDS (LIMITED TAX GENERAL OBLIGATION)

Dated: Date of Delivery

Due: April 1, as shown below

The 2025 Capital Improvement Bonds (Limited Tax General Obligation) (the “Bonds”) are issued pursuant to Section 517 of Act 34, Public Acts of Michigan, 2001, as amended (the “Act”) and a bond authorizing resolution adopted by the City Council of the City of Pontiac (the “City”) on June 3, 2025 (the “Resolution”) and are being issued for the purpose of paying all or part of the costs of acquiring, constructing, and improving a recreation center within the City, including all systems, site improvements, and structural improvements, together with all appurtenances and attachments thereto (the “Project”) and paying the costs incidental to the issuance, sale and delivery of the Bonds.

The City has pledged its limited tax, full faith and credit, general obligation for the payment of the principal of and interest on the Bonds. The City shall be obligated, as a first budget obligation, to advance money from its general funds to pay the principal of and interest on the Bonds as they become due. In the event there are insufficient moneys for the payment of principal of and interest on the Bonds, the City shall levy a tax on all taxable property in the City for the prompt payment of principal and interest on the Bonds. Such tax shall be limited as to rate and amount by applicable constitutional, statutory, and charter limitations on the taxing power of the City.

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York, (“DTC”). DTC will act as securities depository for the Bonds, as described herein.

Interest on the Bonds will be payable semi-annually on the first day of April and October of each year, commencing April 1, 2026.* Principal and interest will be paid by the City to U.S. Bank Trust Company, National Association, Detroit, Michigan, the Transfer Agent for the Bonds, or its successor, which will in turn remit such principal and interest to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described in the Bonds and as referenced in certain proceedings of the City referred to therein.

The record date of the Bonds will be the fifteenth day of the month preceding each interest payment date.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”) (See “BOND INSURANCE” and “APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” herein).



MATURITY SCHEDULE*

(Base CUSIP\$: _____)

Maturity*	Amount*	Interest Rate	Yield	CUSIP\$	Maturity*	Amount*	Interest Rate	Yield	CUSIP\$
2026	\$1,070,000	%	%		2036	\$900,000	%	%	
2027	580,000				2037	945,000			
2028	605,000				2038	990,000			
2029	640,000				2039	1,040,000			
2030	670,000				2040	1,090,000			
2031	705,000				2041	1,145,000			
2032	740,000				2042	1,205,000			
2033	775,000				2043	1,265,000			
2034	815,000				2044	1,325,000			
2035	855,000				2045	1,395,000			

THE BONDS MATURING ON OR AFTER APRIL 1, 2036* ARE SUBJECT TO OPTIONAL REDEMPTION BEGINNING APRIL 1, 2035*, IN THE MANNER AND AT THE TIMES DESCRIBED HEREIN. See “THE BONDS – Optional Redemption” herein.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval of legality by Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Dickinson Wright PLLC, Troy, Michigan, counsel to the Underwriter. It is expected that delivery of the Bonds in definitive form will be made on or about _____, 2025.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

STIFEL

The date of this Official Statement is _____, 2025

[†] As of date of delivery. See “RATINGS” herein.

* Preliminary, subject to change.

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No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement in connection with the offer made hereby and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may an offer to buy these securities be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Information herein has been obtained from the City, The Depository Trust Company and other sources believed to be reliable. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter do not guarantee the accuracy or completeness of such information (except for information under the section captioned “UNDERWRITING,” which was obtained from the Underwriter).

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency will have passed upon the adequacy of this Official Statement, or, except for the City, approved the Bonds for sale.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INFORMATION PRESENTED IN THIS OFFICIAL STATEMENT CONCERNING THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

All summaries contained in this Official Statement are subject in all respects to the complete statute, regulation, rule, court decision or report. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor the sale made hereunder shall under any circumstance create any implication that there has been no change in the affairs of the City since the date hereof.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE” and “APPENDIX G - Specimen Municipal Bond Insurance Policy”.

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Kathalee James
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Tim Greimel

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Tim Estheimer

Deputy Mayor
Khalfani Stephens

City Clerk
Garland Doyle

Finance Director
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Martin Fisher

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BOND COUNSEL

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Detroit, Michigan

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U.S. Bank Trust Company, National Association
Detroit, Michigan

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OFFICIAL STATEMENT
Relating to
\$18,755,000*
CITY OF PONTIAC
COUNTY OF OAKLAND, STATE OF MICHIGAN
2025 CAPITAL IMPROVEMENT BONDS
(LIMITED TAX GENERAL OBLIGATION)

INTRODUCTION

This Official Statement, which includes the cover page hereof, the Table of Contents and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the City of Pontiac, County of Oakland, State of Michigan (the “City”) of its \$18,755,000* 2025 Capital Improvement Bonds (Limited Tax General Obligation) (the “Bonds”).

PURPOSE AND SECURITY

The Bonds will be issued pursuant to, and in accordance with, Section 517 of Act 34, Public Acts of Michigan, 2001, as amended (the “Act”) and a bond authorizing resolution adopted by the City Council of the City on June 3, 2025 (the “Resolution”).

The Bonds are being issued for the purpose of paying all or part of the costs of acquiring, constructing, and improving a recreation center within the City, including all systems, site improvements, and structural improvements, together with all appurtenances and attachments thereto (the “Project”) and paying the costs incidental to the issuance, sale and delivery of the Bonds.

The City has pledged its limited tax, full faith and credit as security for the payment of the principal of and interest on the Bonds. The City is obligated to make such payments as a first budget obligation from its general funds, including the collection of any ad valorem taxes it may be authorized to levy. The ability of the City to levy such taxes is subject to applicable constitutional, statutory, and charter tax rate limitations. See “APPENDIX A - GENERAL FINANCIAL, ECONOMIC & STATISTICAL INFORMATION, CITY OF PONTIAC, COUNTY OF OAKLAND, STATE OF MICHIGAN” herein.

The rights or remedies of Bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination.

* Preliminary, subject to change.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds will be applied as shown below:

SOURCES

Par Amount of the Bonds	\$
Original Issue Premium	
Original Issue Discount	
Total Sources	\$

USES

Deposit to 2025 Construction Fund	\$
Underwriter's Discount	
Costs of Issuance†	
TOTAL	\$

† Includes legal, municipal bond insurance premium, ratings, printing, and other costs of issuance.

Source: City of Pontiac

THE BONDS

Description and Form

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page hereof and may be purchased in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated the Date of Delivery and will bear interest from that date. Interest on the Bonds shall be payable on April 1, 2026* and semiannually each October 1 and April 1 thereafter prior to maturity or earlier redemption. Interest on the Bonds shall be computed using a 360-day year with twelve 30-day months, and the Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the cover of this Official Statement.

The U.S. Bank Trust Company, National Association, Detroit, Michigan, or its successor will serve as Transfer Agent (the "Transfer Agent") and as bond registrar and transfer agent if the Bonds cease to be held in book-entry-only form. For a description of payment of principal and interest, transfers and exchanges and notice of redemption on the Bonds which are held in the book-entry-only system, see "Book-Entry-Only System" herein. In the event the Bonds cease to be held in the book-entry-only system, then interest on the Bonds shall be payable when due by check or draft to the person or entity who or which is, as of the fifteenth (15th) day of the month preceding each interest payment date, the registered owner of record, at the owner's registered address. See "Transfer Outside Book-Entry-Only System" herein.

Optional Redemption*

Bonds maturing in the years 2026 to 2035, inclusive, shall not be subject to optional redemption prior to maturity.

Bonds or portions thereof in multiples of \$5,000, maturing in the year 2036 through final maturity, inclusive, shall be subject to redemption prior to maturity, at the option of the City, in any order of maturity and within any maturity by lot, on any date on or after April 1, 2035, at par and accrued interest to the date fixed for redemption.

* Preliminary, subject to change.

Notice and Effect of Redemption

If any Bonds are called for redemption, the Transfer Agent, on behalf of the City, shall give notice of such redemption at least 30 days prior to the date fixed for redemption. As described herein under “Book-Entry-Only System”, as long as the Bonds are registered in the name of DTC or its nominee, redemption notices will be given to DTC only. Conveyance of notices by DTC to DTC Participants and Indirect Participants and, in turn, by the DTC Participants and Indirect Participants to Beneficial Owners (as defined in “Book-Entry-Only System”) will be governed by arrangements among them. No further interest on Bonds called for redemption shall accrue after the date fixed for redemption, whether the Bonds are presented for redemption or not, provided the funds are on hand with the Transfer Agent for such redemption.

Book-Entry-Only System

The information in this section has been furnished by The Depository Trust Company, New York, New York (“DTC”). No representation is made by the City, the Transfer Agent, or the Underwriter as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the City, the Transfer Agent or the Underwriter to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the City nor the Transfer Agent will have any responsibility or obligation to Direct Participants, Indirect Participants (both as defined below) or the persons for which they act as nominees with respect to the Bonds, or for any principal, or interest payment thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s has rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements

of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bonds documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or Transfer Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Transfer Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Transfer Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Transfer Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Transfer of Outside Book-Entry-Only System

So long as Cede & Co., as nominee for DTC, is the Registered Owner of the Bonds, beneficial ownership interests in the Bonds may be transferred only through a DTC Participant or Indirect Participant and recorded on the book-entry-only system operated by DTC.

In the event that the book-entry-only system is discontinued, the Transfer Agent shall keep the registration books for the Bonds (the "Bond Register") at its corporate trust office. Subject to the further conditions contained in the Resolution, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Transfer Agent by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Transfer Agent shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations; during the fifteen (15) days immediately preceding the date of mailing of any notice of redemption or any time following the mailing of any notice of redemption, the Transfer Agent shall not be required to effect or register any transfer or exchange of any Bond which has been selected for such redemption, except the Bonds properly surrendered for partial redemption may be exchanged for new Bonds in authorized denominations equal in the aggregate to the unredeemed portion; the City and the Transfer Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owners of such Bonds for all purposes under the Resolution. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$503.3 million, \$258.1 million and \$245.2 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

LITIGATION

The City has not been served with any litigation, administrative action or proceeding, and to the knowledge of the appropriate officials of the City no litigation or administrative action or proceeding has been threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, or questioning or contesting the validity of the Bonds or the proceedings or authorities under which they are authorized to be issued, sold, executed and delivered. A certificate to such effect will be delivered to the Underwriter at the time of the original delivery of the Bonds.

TAX MATTERS

General

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, under existing law, the interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. Bond Counsel will express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

The opinions on federal and State of Michigan tax matters are based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excludable from gross income for federal and State of Michigan income tax purposes. The City has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excludable from gross income for federal and State of Michigan income tax purposes, and not to take any actions that would adversely affect that exclusion. Bond Counsel's opinions assume the accuracy of the City's certifications and representations and the continuing compliance with the City's covenants. Noncompliance with these covenants by the City may cause the interest on the Bonds to be included in gross income for federal and State of Michigan income tax purposes retroactively to the date of issuance of the Bonds. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal and State of Michigan income tax purposes of interest on the Bonds or the market prices of the Bonds.

The opinions of Bond Counsel are based on current legal authority and cover certain matters not directly addressed by such authority. They represent Bond Counsel's legal judgment as to the excludability of interest on the Bonds from gross income for federal and State of Michigan income tax purposes but are not a guarantee of that conclusion. The Federal income tax opinion is not binding on the Internal Revenue Service

(“IRS”) or any court. Bond Counsel cannot give and has not given any opinion or assurance about the effect of future changes in the Internal Revenue Code of 1986, as amended (the “Code”), the applicable regulations, the interpretations thereof or the enforcement thereof by the IRS.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations (as defined in Section 59(k) of the Code) subject to the alternative minimum tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion regarding any such consequences.

Tax Treatment of Accruals on Original Issue Discount Bonds

Under existing law, if the initial public offering price to the public (excluding bond houses and brokers) of a Bond is less than the stated redemption price of such Bonds at maturity, then such Bond is considered to have “original issue discount” equal to the difference between such initial offering price and the amount payable at maturity (such Bonds are referred to as “OID Bonds”). Such discount is treated as interest excludable from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bonds on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period) from the date of original issue with straight-line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of OID Bonds who purchase such OID Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such OID Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

All holders of the OID Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition of an OID Bond to the extent such loss is attributable to accrued original issue discount.

Amortizable Bond Premium

For federal income tax purposes, the excess of the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold over the amount payable at maturity thereof constitutes for the original purchasers of such Bonds (collectively, the “Original Premium Bonds”) an amortizable bond premium. Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer’s basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases, on an earlier call date (such bonds being referred to herein collectively with the Original Premium Bonds as the “Premium Bonds”). Such amortizable bond premium is not deductible from gross income. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the taxpayer’s yield to maturity determined by using the taxpayer’s basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the taxpayer’s adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

All holders of the Premium Bonds should consult with their own tax advisors as to the amount and effect of the amortizable bond premium.

Market Discount

The “market discount rules” of the Code apply to the Bonds. Accordingly, holders acquiring their Bonds subsequent to the initial issuance of the Bonds will generally be required to treat market discount recognized under the provisions of the Code as ordinary taxable income (as opposed to capital gain income). Holders should consult their own tax advisors regarding the application of the market discount provisions of the Code and the advisability of making any of the elections relating to market discount allowed by the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid after March 31, 2007 on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the IRS.

Future Developments

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds and, unless separately engaged, bond counsel is not obligated to defend the City in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS WHICH COULD CAUSE THE INTEREST ON THE BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS, OR OTHERWISE PREVENT THE HOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE BONDS FOR AUDIT EXAMINATION, OR THE COURSE OR RESULT OF ANY EXAMINATION OF THE BONDS, OR OTHER BONDS WHICH PRESENT SIMILAR TAX ISSUES, WILL NOT AFFECT THE MARKET PRICE OF THE BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS,

INCLUDING THE IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

RATINGS

S&P Global Ratings, a business unit of Standard and Poor's Financial Services LLC ("S&P") will assign, as of the date of delivery of the Bonds, its municipal bond rating of "AA-" to the Bonds. A further explanation of the rating by S&P may be obtained from such agency at 55 Water Street, New York, New York 10041.

S&P will also assign, as of the date of delivery of the Bonds, its municipal bond rating of "AA" to the Bonds with the understanding that the scheduled payment of principal and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds. See "BOND INSURANCE" and "APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" herein.

No application has been made to any other ratings service for a rating on the Bonds. The City furnished to S&P certain materials and information in addition to that provided herein. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Any ratings assigned represent only the views of S&P. Further information is available upon request from S&P Global Ratings, 55 Water Street, New York, New York 10041, telephone: (212) 438-1000.

MUNICIPAL ADVISOR

Robert W. Baird & Co. Incorporated ("Baird") is acting as Municipal Advisor (the "Municipal Advisor") to the City in connection with the issuance of the Bonds. The Municipal Advisor, in its capacity as municipal advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. To the best of the Municipal Advisor's knowledge and belief, the information contained in the Official Statement, which it assisted in preparing, while it may be summarized, is complete and accurate. The Municipal Advisor has relied upon City officials, and other sources, which have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information.

Baird is precluded from participating in any group or syndicate which may purchase the Bonds. Baird is registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board ("MSRB") as a municipal advisor.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter" or "Stifel") has agreed, subject to the terms of a Bond Purchase Agreement (the "Bond Purchase Agreement"), to purchase the Bonds from the City. The Bond Purchase Agreement provides, in part, that the Underwriter, subject to certain conditions, will purchase from the City the aggregate principal amount of the Bonds for a purchase price as set forth therein. The Underwriter has further agreed to offer the Bonds to the public at the approximate initial offering prices corresponding to the yields as set forth on the cover hereto. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices corresponding to the yields stated on the cover hereto. The offering prices may be changed from time to time by the Underwriter. The aggregate underwriting fee equals _____ percent of the aggregate principal amount of the Bonds.

The Bond Purchase Agreement provides that the obligations of the Underwriter are subject to certain conditions, including, among other things, that (i) no event has occurred which impairs or threatens to impair the status of the Bonds or interest on the Bonds as exempt from taxation in the State (except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof) and the interest on the Bonds is excludable from gross income for federal income tax purposes (except as described under the heading "TAX MATTERS" above) and (ii) proceedings relating to the Bonds are not pending or threatened by the Securities and Exchange Commission. The Bond Purchase Agreement further provides that the City will provide to the Underwriter, within seven business days of the date of the Bond Purchase Agreement, an electronic copy of the Official Statement to enable the Underwriter to comply with the requirements of Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934, as amended.

Stifel and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City.

Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

APPROVAL BY MICHIGAN DEPARTMENT OF TREASURY

The City has received a letter from the Department of Treasury of the State of Michigan stating that the City is in material compliance with the criteria of the Revised Municipal Finance Act, Act No. 34, Public Acts of Michigan, 2001, as amended, for a municipality to be granted qualified status. The City may therefore issue the Bonds without further approval from the Department of Treasury of the State of Michigan.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the City of the Bonds are subject to the approving opinion of Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel. Except to the extent necessary to issue its approving opinion as to the validity of the Bonds, Bond Counsel has made no inquiry as to any financial information, statements or materials contained in any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds, and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial information, statements or materials.

Certain legal matters will be passed upon for the Underwriter by their counsel, Dickinson Wright PLLC, Troy, Michigan.

CONTINUING DISCLOSURE

The City has covenanted and will covenant for the benefit of the Bondholders and the Beneficial Owners (as hereinafter defined under this caption only), pursuant to the Continuing Disclosure Certificate to be delivered

on the date of issuance of the Bonds to the purchaser(s) thereof (the “Disclosure Certificate”), to provide or cause to be provided: (i) each year, certain financial information and operating data relating to the City (the “Annual Report”) by not later than the date six (6) months after the end of the City’s fiscal year, commencing with the Annual Report for the City’s fiscal year ended June 30, 2025; provided, however, that if the audited financial statements of the City are not available by such date, they will be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements then most recently prepared for the City will be included in the Annual Report; and (ii) timely notices of the occurrence of certain enumerated events and of the occurrence of certain other enumerated events, if material. Currently the City’s fiscal year commences on July 1. “Beneficial Owner” means (under this caption only) any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries).

Each Annual Report will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access System (“EMMA”). If the City is unable to provide the MSRB any Annual Report by the date required, the City shall send in a timely manner, a notice to the MSRB through EMMA. Notices of material events will be filed by the City with MSRB through EMMA. These covenants have been made by the City in order to assist the purchaser(s) of the Bonds and registered brokers, dealers and municipal securities dealers in complying with the requirements of subsection (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the “Rule”). The information to be contained in the Annual Report, the enumerated events, the occurrence of which will require a notice, and the other terms of the Disclosure Certificate are set forth in “APPENDIX F — FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

The City is obligated to provide continuing disclosure with respect to the certain bond issues for which it is an obligated party issued by the Michigan Municipal Bond Authority (predecessor to the Michigan Finance Authority) and the City of Pontiac Wastewater Treatment Facility Drainage District.

While the City timely provided audits for the fiscal years 2020 and 2021 to the MSRB’s EMMA platform, these audits and the fiscal years 2022-2024 audits were not filed to all applicable CUSIPs until remedial filings on July 17, 2025, and October 6, 2025. The City also filed financial and operating information to MSRB’s EMMA platform for fiscal year 2024 on October 6, 2025. Notices of the foregoing failures to file were filed on October 6, 2025.

OTHER MATTERS

All information contained in this Official Statement, in all respects, is subject to the complete body of information contained in the original sources thereof. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

The City certifies that to its best knowledge and belief, this Official Statement, insofar as it pertains to the City and its economic and financial condition, is true and correct as of the date of this Official Statement, and does not contain, nor omit, any material facts or information which would make the statements contained herein misleading.

CITY OF PONTIAC
COUNTY OF OAKLAND, STATE OF MICHIGAN

By: _____
Tim Greimel
Its: Mayor

APPENDIX A

**GENERAL FINANCIAL, ECONOMIC & STATISTICAL INFORMATION
CITY OF PONTIAC, COUNTY OF OAKLAND, STATE OF MICHIGAN**

APPENDIX A
GENERAL FINANCIAL, ECONOMIC & STATISTICAL INFORMATION
CITY OF PONTIAC, COUNTY OF OAKLAND, STATE OF MICHIGAN

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APPENDIX A
GENERAL FINANCIAL, ECONOMIC & STATISTICAL INFORMATION
CITY OF PONTIAC, COUNTY OF OAKLAND, STATE OF MICHIGAN

GENERAL INFORMATION

Description

The City of Pontiac (the “City”) is located between the City of Flint and the City of Detroit in the southeast corner of the State of Michigan (the “State”) and encompasses an area of approximately 20.09 square miles. The City is located in Oakland County (the “County”) and serves as the county seat.

The City is located the following distances from these commercial and industrial areas:

26	miles northwest of Detroit
35	miles southeast of Flint
45	miles northeast of Ann Arbor
71	miles east of Lansing

Population

The U.S. Census and American Community Survey reported estimated populations for the City are as follows:

Table 1 - Population in the City

<u>Source</u>	<u>Year</u>	<u>Estimated Population</u>
American Community Survey	2023	61,914
American Community Survey	2022	61,965
American Community Survey	2021	61,498
U.S. Census	2020	61,606
American Community Survey	2019	59,955

SOURCE: U.S. Census 2019-2023 American Community Survey

Income

The U.S. Census 2019-2023 American Community Survey estimates of household income within the City are as follows:

Table 2 - Household Income in the City

	Number	Percent
HOUSEHOLDS BY INCOME	25,605	100.0%
Less than \$10,000	2,504	9.8
\$10,000 to \$14,999	2,379	9.3
\$15,000 to \$24,999	2,273	8.9
\$25,000 to \$34,999	3,366	13.1
\$35,000 to \$49,999	3,782	14.8
\$50,000 to \$74,999	4,609	18.0
\$75,000 to \$99,999	2,591	10.1
\$100,000 to \$149,999	2,984	11.7
\$150,000 to \$199,999	602	2.3
\$200,000 or more	515	2.0
Median Income	\$42,791	
Mean Income	\$56,818	

SOURCE: U.S. Census 2019-2023 American Community Survey

Employment Characteristics

The following table lists major employers in the County that offer employment opportunities:

Table 3 - Large Employers*

Employer Name	Approximate Number of Employees*
Corewell Health	13,712
Stellantis US, LLC	10,462
General Motors Co.	7,451
United Wholesale Mortgage	7,300
Henry Ford Health System	5,588
Ascension Michigan	5,250
U.S. Postal Service	4,873
Amazon.com	4,310
Oakland County	3,742
Comerica Bank	3,021

SOURCES: 2024 Michigan Manufacturers Directory and 2025 Crain's Detroit Business Book of Lists.

* The approximate numbers of employees are as reported in the sources indicated above. Because of reporting time lags and other factors inherent in collecting and reporting such information, the numbers may not reflect recent changes in employment levels, if any.

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Employment Breakdown

The U.S. Census 2019-2023 American Community Survey estimates the occupational breakdown of persons 16 years and over in the City as follows:

Table 4 – Employment by Occupation

	Number	Percent
TOTAL PERSONS BY OCCUPATION	26,967	100.0%
Management, Business, Science, and Arts	6,375	23.6
Service Occupations	6,940	25.7
Sales & Office Occupations	4,505	16.7
Natural Resources, Construction & Maintenance	2,493	9.2
Production, Transportation & Material Moving	6,654	24.7

SOURCE: U.S. Census 2019-2023 American Community Survey

The U.S. Census 2019-2023 American Community Survey estimates the breakdown by industry for persons 16 years and over employed in the City as follows:

Table 5 - Employment by Industry

	Number	Percent
TOTAL PERSONS BY INDUSTRY	26,967	100.0%
Agriculture, Forestry, Fishing, Hunting & Mining	13	0.0%
Construction	2,046	7.6%
Manufacturing	4,882	18.1%
Wholesale Trade	283	1.0%
Retail Trade	4,048	15.0%
Transportation, Warehousing, and Utilities	987	3.7%
Information	388	1.4%
Finance, Insurance, & Real Estate	1,124	4.2%
Professional & Management Services	2,495	9.3%
Educational, Health & Social Services	5,648	20.9%
Arts, Entertainment, Recreation & Food Services	2,926	10.9%
Other Professional and Related Services	1,474	5.5%
Public Administration	653	2.4%

SOURCE: U.S. Census 2019-2023 American Community Survey

[Remainder of this page intentionally left blank]

Unemployment

The Michigan Department of Technology, Management, and Budget reports local area unemployment statistics for the City, the County and the State as follows:

Table 6 - Unemployment

	City of Pontiac	County of Oakland	State of Michigan
2014 Annual Average	14.6%	6.4%	7.2%
2015 Annual Average	10.9%	4.7%	5.4%
2016 Annual Average	9.4%	4.1%	5.0%
2017 Annual Average	8.0%	3.5%	4.6%
2018 Annual Average	7.7%	3.4%	4.2%
2019 Annual Average	7.7%	3.3%	4.1%
2020 Annual Average	19.4%	9.1%	10.0%
2021 Annual Average	10.3%	4.6%	5.7%
2022 Annual Average	6.9%	3.0%	4.2%
2023 Annual Average	6.7%	2.9%	3.9%
2024 Annual Average	8.1%	3.6%	4.7%
2025 Estimate (August)*	7.8%	3.4%	5.0%

SOURCE: Michigan Department of Technology, Management, & Budget Labor Market Information

NOTE: Not Seasonally Adjusted.

*Monthly Estimate.

Economic Development

Economic revitalization of the City's downtown is well underway. In May of 2025, the Oakland County Board of Commissioners approved a \$174.5 million budget toward the demolition of the Phoenix Center and redevelopment of vacant buildings once owned by General Motors (the "Downtown Pontiac Redevelopment Project"). The project is also being supported by a \$50 million investment from the State. Demolition of the Phoenix Center began in spring 2025, making way for the reopening of Saginaw Street, new green spaces, modern parking facilities, and the transformation of the former General Motors building at 31 East Judson into a consolidated office campus for the County. This initiative is expected to bring approx. 700 county employees into the heart of downtown, creating consistent activity and opportunities for commercial and residential growth to reinforce the City's economic foundation.

Private investment is following closely behind. Notable projects include "The Exchange" a \$106 million mixed-use development featuring a new nine-story residential building with 287 units. The project also includes the redevelopment of an existing four-story and three-story building to create a food hall, dedicated office spaces, and hospitality/meeting spaces. Combined with additional housing, cultural, and small business growth, these efforts mark a new chapter for the City and serve as a catalyst for further development and investment.

Housing Characteristics

Trends in the housing stock of the City have a direct impact on the City's levy and collection of *ad valorem* property taxes. The U.S. Census housing inventory estimates from the 2016-2020 and the 2019-2023 American Community Survey for the City are shown on the following page.

Table 7 - Housing Inventory

Occupancy Status	2020	2023
Owner-occupied	10,223	11,329
Renter-occupied	13,306	14,276
Vacant	<u>3,560</u>	<u>2,671</u>
Total housing units	27,089	28,276

SOURCES: U.S. Census 2016-2020 and 2019-2023 American Community Survey

The U.S. Census 2019-2023 American Community Survey estimates the household breakdown by type in the City as follows:

Table 8 - Households by Type

<u>Type of Household</u>	<u>Number</u>	<u>Percentage</u>
Family		
Married-couple	5,139	20.1%
Single male head	1,967	7.7%
Single female head	6,002	23.4%
Total	<u>13,108</u>	
Non-family		
Living alone	10,493	41.0%
Other	2,004	7.8%
Total	<u>12,497</u>	
Total Family and Non-Family	25,605	100.0%

SOURCE: U.S. Census 2019-2023 American Community Survey

GOVERNMENTAL STRUCTURE

Executive Branch

The City operates under a council-strong Mayor form of government. The Mayor, who is the chief executive of the City, is elected at large and serves a four-year term. Mayor Tim Greimel was elected in November of 2021. The Mayor oversees and is accountable for the executive branch of the City's government. The Mayor appoints, with the approval of City Council, a Deputy Mayor who serves at the pleasure of the Mayor and performs the duty of the office of the Mayor during the absence of temporary disability of the Mayor. The Mayor, except as otherwise required by law or Charter, appoints a director for each executive branch department who serves at the pleasure of the Mayor. Each department head appointment is subject to approval by the City Council.

Legislative Branch

The City Council constitutes the legislative branch and governing body of the City and has power and authority, except as otherwise provided in the Charter or by statute, to exercise all legislative powers conferred upon or possessed by the City and has the power and authority to adopt such ordinances and resolutions as it shall deem proper in the exercise thereof. The City Council is currently comprised of seven members representing each of the current seven districts within the City and serve four-year terms. Per the revised City Charter, effective August 30, 2024, the City was redistricted into six districts with City Council members to be elected by each district with one at-large City Council member to be elected Citywide. The current seven City Council districts remain in place through the end of 2025.

The current City Council members and their district are listed below:

Councilwoman Melanie Rutherford, District 1
Councilwoman Milanna Jones, District 2
Councilman Mikal Goodman, District 3
Councilwoman Kathalee James, District 4
Councilman William Parker, District 5
Councilman William Carrington, District 6
Councilman Mike McGuinness, District 7*

*Denotes City Council President

District Court

The 50th District Court is responsible for adjudicating certain legal matters that arise within the City, including State felony arraignments and preliminary examinations, State misdemeanor and City ordinance violations, civil litigation for claims of \$25,000 or less, small claims up to \$6,000, and landlord/tenant disputes. The City is responsible for the funding of the 50th District Court in excess of fines collected by the Court, except for judicial salaries, which are funded by the State.

Other Authorities Created By the City

Certain Michigan statutes authorize a city or other local governmental units to establish entities known as a Tax Increment Financing Authority (“TIFA”) and a Brownfield Redevelopment Authority (the “Authority”). The City has a TIFA and an Authority, which are described under the next two captions below. The TIFA and the Authority were established and are authorized to formulate tax increment financing plans for public improvements, economic development, neighborhood revitalization and historic preservation within the City.

Tax Increment Finance Authority

The TIFA was incorporated by the City on May 12, 1981, under the authority contained in Act 450, Public Acts of Michigan, 1980, (“Act 450”). Act 450 was repealed and replaced by Act 57, Public Acts of Michigan, 2018, (“Act 57”). The TIFA was established to help prevent urban deterioration, encourage economic development and activity and to encourage neighborhood revitalization and historic preservation. Act 57 authorizes the TIFA to, among other things, acquire and dispose of interests in real and personal property, and to provide for the creation and implementation of development plans. Act 57 also permits the issuance of bonds and other evidences of indebtedness by the TIFA and permits the collection of tax increment revenues. The City has an outstanding TIFA revenue bond issued in 2007 by the Michigan Municipal Bond Authority (now the Michigan Finance Authority) with a final maturity of May 1, 2031. See “DEBT STATEMENT” herein.

The TIFA is governed by a board appointed by the Mayor and confirmed by the City Council. The board can be composed of not less than seven, nor more than thirteen members. The board members serve a four-year term or until a successor is appointed. There are three development areas within the TIFA district that measure approximately 7.03 square miles, 2.98 square miles, and 3.05 square miles.

Brownfield Redevelopment Authority

The Authority was incorporated by the City under the authority contained in Act 381, Public Acts of Michigan, 1996. The Authority was established to remediate contaminated properties located within the City and to promote economic growth for these properties using captured property taxes. The properties included are listed as contaminated by the Environmental Protection Agency. On December 18, 1997, the City Council passed a resolution designating the trustees of the board of the TIFA as the board of the Authority.

GENERAL FINANCIAL INFORMATION

Property Valuations

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value, except as described below. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as “Taxable Value.” Beginning in 1995, taxable property has two valuations -- State equalized valuation (“SEV”) and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, multiplied by the lesser of the inflation rate or 5%, plus additions, or (b) the property’s current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property’s SEV.

When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

Responsibility for assessing taxable property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, to the local board of review and ultimately to the Michigan Tax Tribunal.

In addition to limiting the annual increase in Taxable Value, the Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the county’s department of equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Property that is exempt from property taxes, e.g., churches, government property, public schools, is not included in the SEV and Taxable Value data in this Appendix A. Property granted tax abatements under either Act 198 of the Public Acts of Michigan, 1974, as amended (“Act 198”), or Act 255, Public Acts of Michigan, 1978, as amended, is recorded on separate tax rolls while subject to tax abatement. The valuation of tax abated property is based upon SEV but is not included in either the SEV or Taxable Value data in this Appendix A except as noted.

Michigan Property Tax Reform

On March 28 and April 1, 2014, Governor Snyder signed into law a package of bills amending and replacing legislation enacted in 2012 to reform personal property tax in Michigan. Commercial and industrial personal property of each owner with a combined true cash value in a local taxing unit of less than \$80,000 became exempt from ad valorem taxes beginning in 2014. Beginning in 2023, the exemption for commercial and industrial personal property of each owner with a combined true cash value in a local taxing unit was increased to \$180,000. All eligible manufacturing personal property purchased or put into service beginning in 2013 and used more than 50% of the time in industrial processing or direct integrated support became exempt beginning in 2016. The legislation extended certain personal property tax exemptions and tax abatements for technology parks, industrial facilities and enterprise zones that were to expire after 2012, until the newly enacted personal property tax exemptions became effective. Pursuant to

voter approval in August 2014, the 2014 legislation, as subsequently amended, also includes a formula to reimburse local governments for lost personal property tax revenue. To provide the reimbursement, the legislation reduced the state use tax and created a Local Community Stabilization Authority which levies a local use tax component and distributes that revenue to qualifying local units. The final impact of this legislation cannot be determined at this time.

The ultimate nature, extent and impact of any other future amendments to Michigan's property tax laws on the City's finances cannot be predicted. Purchasers of the Bonds should consult with their legal counsel and financial advisors as to the consequences of any such legislation on the market price or marketability of the Bonds, the security therefor and the operations of the City.

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Historical Valuation

Table 9 - State Equalized Valuations and Taxable Valuations

<u>Tax Year</u>	<u>Fiscal Year Ending June 30</u>	<u>Total Assessed (SEV) Valuation</u>	<u>SEV % Change</u>	<u>Taxable Valuation (TV)</u>	<u>TV % Change</u>
2021	2022	\$1,176,100,410	12.43%	\$870,457,830	9.32%
2022	2023	1,504,450,730	27.92	1,114,386,200	28.02
2023	2024	1,665,356,040	10.70	1,200,707,450	7.75
2024	2025	1,790,898,500	7.54	1,263,791,670	5.25
2025	2026	1,962,856,230	9.60	1,366,689,640	8.14

SOURCES: Oakland County Equalization Report and the City of Pontiac

Table 10 - 2025 State Equalized Valuations and Taxable Valuations Breakdown by Property Type

<u>By Class</u>	<u>Taxable Value</u>	<u>Percentage of Total</u>	<u>State Equalized Valuation</u>	<u>Percentage of Total</u>
Real Property	\$1,098,608,390	83.38%	\$1,694,774,980	86.34%
Personal Property	<u>268,081,250</u>	<u>19.62</u>	<u>268,081,250</u>	<u>13.66</u>
TOTAL	\$1,366,689,640	100.00%	\$1,962,856,230	100.00%
<u>By Use</u>				
Real Commercial	\$483,371,350	35.37%	\$602,582,900	30.70%
Real Industrial	76,995,910	5.63	103,806,500	5.29
Real Residential	538,277,130	39.39	988,385,580	50.35
Personal Commercial	139,058,070	10.17	139,058,070	7.08
Personal Industrial	50,223,860	3.67	50,223,860	2.56
Personal Utility	<u>78,799,320</u>	<u>5.77</u>	<u>78,799,320</u>	<u>4.01</u>
TOTAL	\$1,366,689,640	100.00%	\$1,962,856,230	100.00%

SOURCE: Oakland County Equalization Report

Using the City's 2020 Census population of 61,606, Table 11 provides the per capita valuation by type of valuation.

Table 11 - Per Capita Valuation

2025 Per Capita Taxable Valuation	\$22,184.36
2025 Per Capita State Equalized Valuation	\$31,861.45
2025 Per Capita Estimated True Cash Valuation	\$63,722.89

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Industrial Facilities Tax

Act 198, Public Acts of Michigan, 1974, as amended (“Act 198”), provides significant property tax incentives to industry to renovate and expand aging plants and to build new industrial facilities in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new industrial facilities.

Property tax owners situated in such districts pay an Industrial Facilities Tax (“IFT”) in lieu of ad valorem taxes on the facility and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the IFT is determined by calculating the product of the SEV of the replacement facility in the year before the effective date of the abatement certificate multiplied by the total mills levied by all taxing units in the current year. New plants and equipment receiving their abatement certificate prior to January 1, 1994 are taxed at one-half the total mills levied by all taxing units, other than mills levied for local and intermediate school district operating purposes or under the State Education Tax Act, plus one-half of the number of mills levied for school operating purposes in 1993. For new facility abatements granted after 1993, new plants and equipment are taxed at one-half of the total mills levied as ad valorem property taxes by all taxing units except mills levied under the State Education Tax Act, plus the number of mills levied under the State Education Act. For new facility abatements granted after 1993, the State Treasurer may permit abatement of all, none or one-half of the mills levied under the State Education Tax Act. It must be emphasized, however, that ad valorem property taxes on land are not reduced in any way since land is specifically excluded under Act 198.

The 2025 taxable value for all IFT abated property within the City’s boundaries is \$19,868,710.

Major Taxpayers

The top ten taxpayers in the City and their 2025 Taxable Valuations and IFT Valuations are as follows:

Table 12 - Top Ten Taxpayers

Taxpayer	Product/Service	Taxable Valuation	IFT Valuation	Total Valuation
Amazon	Ecommerce	\$137,318,790	-	\$137,318,790
General Motors	Automotive	51,377,090	\$5,957,210	57,334,300
DTE	Utility	36,626,940	-	36,626,940
Consumers Energy	Utility	27,638,190	-	27,638,190
Edward Rose Development	Real Estate	24,370,090	-	24,370,090
Sealy South Opdyke	Manufacturing	19,922,510	-	19,922,510
Bloomfield Village Parcel Owner	Real Estate	19,129,850	-	19,129,850
United Wholesale Mortgage	Lending Services	18,055,660	-	18,055,660
Racer Properties	Real Estate	16,547,060	-	16,547,060
ITC Transmission	Infrastructure	14,958,020	-	14,958,020
TOTAL		<u>\$365,944,200</u>	<u>\$5,957,210</u>	<u>\$371,901,410</u>

SOURCE: City of Pontiac

The Taxable Valuations of the above taxpayers represent 27.21% of the City’s 2025 Taxable Valuation of \$1,366,689,640.

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Tax Rates (Per \$1,000 of Valuation)

Each school district, county, township, authority and city have a geographical definition constituting a taxing jurisdiction. School districts and the county overlap a township or a city, and intermediate school districts overlap local school districts and county boundaries resulting in many tax rate districts.

Table 13 - City Tax Rates

Tax Year	Operating Millage ⁽¹⁾	Capital Improvement	Library	Sanitation	Senior Services	Youth Center	Total City Millage
2020	11.1699	1.3961	0.9908	2.7923	0.4954	1.4862	17.3399
2021	11.0503	1.3811	0.9801	2.7624	0.4900	0.7500	17.4139
2022	10.9132	1.3639	0.9679	2.7281	0.4839	1.4519	17.9089
2023	12.0000	1.3639	0.9679	2.7281	0.4839	1.4519	18.9957
2024	12.0000	1.3639	0.9679	2.7281	0.4839	1.4519	18.9957

SOURCES: City of Pontiac and Oakland County Equalization

- (1) To support the general operations and fire services of the City, an additional 1.0868 operating millage was approved by voters on November 8, 2022, for a period of ten years (2023-2032) to restore additional millage previously authorized by the City Charter as reduced by operation of the Headlee Amendment.

Table 14 - Other Tax Rates

Tax Year	Oakland County Millage ⁽¹⁾	Pontiac City School Millage ⁽²⁾ (PRE)	Pontiac City School Millage ⁽²⁾ (Non-PRE)	Oakland Intermediate School District	Oakland Community College	Total City ⁽³⁾ And Other Millage (PRE)	Total City ⁽³⁾ And Other Millage (Non-PRE)
2020	5.8533	9.2700	27.2700	3.2280	1.5184	38.2004	56.2004
2021	5.8309	9.1992	27.1992	3.2012	1.5057	37.1509	55.1509
2022	5.7577	8.7980	26.7980	3.1658	1.4891	37.1195	55.1195
2023	5.7577	8.7980	26.7980	3.1658	1.4891	38.2063	56.2063
2024	6.0443	8.7980	26.7980	3.1541	1.4836	38.4757	56.4757

SOURCES: City of Pontiac and Oakland County Equalization

- (1) Rates for Oakland County includes the County's operating, parks and recreation, zoo authority, art institute authority, transit authority, and Huron Clinton authority millage rates.

- (2) Principal Residence Exemption (PRE) exempts a residence from the tax levied by a local school district for school operating purposes up to 18 mills. Section 211.7cc and 211.7dd of the General Property Tax Act, Act 206, Public Acts of Michigan, 1893, as amended, addresses PRE claims. Pursuant to a ballot proposal approved by the electors of the State of Michigan on March 15, 1994, the State levies 6.00 mills for school operating purposes on PRE- and Non-PRE property.

- (3) City total millage set forth in Table 13, above.

Other Tax Rate Limitations and Expiration Dates

Per the City Charter, the total amount which may be levied against property for City purpose in any one year shall not exceed 12.0000 mills. An additional 1.5000 mills may be levied for capital improvements or to pay principal and interest on bonds therefor; and a further additional 2.0000 mills may be levied to be utilized for salaries, benefits, or other expenses of firemen in addition to such other revenues as may be regularly utilized for those purposes.

Table 15 - Tax Limitations

	Date of Election	2025 Rate Per \$1,000 of State Equalized Value	2025 Maximum After Headlee Rollback	Expiration
General Operating	N/A	10.8924	10.8924	N/A
General Operating	11/8/2022	1.0847	1.0847	12/31/2032
Capital Improvement	N/A	1.3613	1.3613	N/A
Library	8/2/2016	0.9660	0.9660	12/31/2026
Sanitation	N/A	2.7229	2.7229	N/A
Senior Services	8/2/2016	0.4829	0.4829	12/31/2026
Youth Center	11/8/2016	1.4491	1.4491	12/31/2026

SOURCE: City of Pontiac

Constitutional Millage Rollback

Article IX, Section 31 of the Michigan Constitution (also referred to herein as the “Headlee rollback”) requires that if the total value of existing taxable property (State Equalized Valuation) in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be reduced through a Millage Reduction Fraction unless new millage is authorized by a vote of the electorate of the local taxing unit (the “Headlee override”).

Tax Levies and Collections

The City’s fiscal year begins July 1 and ends June 30. Property taxes are levied by the City on July 1 and December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year and are turned over to the County Treasurer for collection on that date. The County pays the City 100% of the uncollected real property taxes shortly after the date delinquent taxes are returned to the County for collection. Uncollected property taxes are ineligible.

A history of tax levies and collections for the City are as follows:

Table 16 - Tax Levies and Collections

Tax Year	Tax Levy	Collections to March 1 of the Following Year		Collections plus Funding to July 1 of Each Year %
2020	\$44,128,672	\$38,647,717	87.58%	100.00%
2021	47,557,239	42,091,462	88.51	100.00
2022	59,376,721	53,069,554	89.38	100.00
2023	64,939,617	58,823,877	90.58	100.00
2024	68,584,520	62,057,193	90.48	100.00
2025 ⁽¹⁾	65,696,485	In Process of Collection		

SOURCE: City of Pontiac

(1) Summer 2025 Levy Only

City Income Tax

In 1968, the electorate of the City authorized the implementation of an income tax. The income tax is imposed on certain income earned within the City regardless of the residence of the taxpayer and on certain income of City residents. Residents pay one percent (1%), and nonresidents pay one-half of one percent (1/2%) tax rates on taxable income. With minor exceptions, taxable income includes all corporate and individual income subject to taxation by the United States. Personal and dependency exemptions of \$600 are permitted. Deductions from City income taxation include alimony, unreimbursed business expenses, disability income, unemployment compensation, social security income, Keogh and IRA contributions pursuant to the United States Internal Revenue Code, moving expenses into the City and other miscellaneous items. The following table is a five-year history of income tax collections.

Table 17 - Income Tax Collections

Fiscal Year Ended June 30	Collections, Net of Refunds
2020	\$15,011,968
2021	14,536,069
2022	17,507,238
2023	19,078,741
2024	20,102,666

SOURCE: City of Pontiac

Revenues from the State of Michigan

The City receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended. The revenue sharing payments are composed of two components – a constitutional distribution and a statutory distribution.

The constitutional distribution is mandated by the State Constitution and distributed on a per capita basis to townships, cities and villages. The amount of the constitutionally mandated revenue sharing component distributed to the City can vary depending on the population of the City and the receipt of sales tax revenues by the State.

The statutory distribution is authorized by legislative action and distribution is subject to annual State appropriation by the State Legislature. Statutory distributions may be reduced or delayed by Executive Order during any State fiscal year in which the Governor, with the approval of the State Legislature's appropriations committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

On October 7, 2025, Governor Whitmer signed into law the budget for fiscal year 2026. The budget includes a constitutional revenue sharing distribution to cities, villages and townships of approximately \$1.010 billion. An additional \$333.5 million has been appropriated for revenue sharing distributions, of which \$299.1 million will be distributed pursuant to the State Revenue Sharing Act and \$34.4 million will be distributed in 1/3 increments to cities, villages, and townships: (i) according to a statutory formula based on the per capita taxable valuation of each city, village, or township in proportion to the State-wide per capita taxable valuation; (ii) to each unit type according to its population; and (iii) pursuant to a formula that provides a yield equalization payment to each unit that is sufficient to provide the guaranteed tax base for a local tax effort, not to exceed 0.02.

The City anticipates receiving \$6,221,064 in total statutory revenue sharing for the State's fiscal year 2026.

Purchasers of the Bonds should be alerted to further modifications to revenue sharing payments to Michigan local governmental units, to the potential consequent impact on the City's general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the City from the State.

The following table is generated from data on the State's revenue sharing webpage, as referenced as the source below. Amounts do not include state gas and weight tax distributions or fire reimbursement monies. The site represents revenue sharing based on the State's fiscal year ending September 30th, but the bi-monthly data has been used to derive the totals based on the City's fiscal years ended June 30, 2020, through June 30, 2024, and the estimated revenue sharing payments to be received by the City for the fiscal year ended June 30, 2025, and the fiscal year ending June 30, 2026.

Table 18 - State Revenue Sharing Payments

Fiscal Year Ended June 30	Revenue Sharing Payments ⁽¹⁾	Constitutional Amount	Statutory EVIP/CVTRS
2020	\$10,242,956	\$5,214,571	\$5,028,385
2021	9,626,546	5,420,466	4,206,080
2022	11,620,167	6,488,769	5,131,398
2023	12,119,534	6,713,875	5,405,659
2024	12,330,839	6,601,280	5,729,559
2025 (Estimated)	12,578,846	6,585,547	5,993,299
2026 (Estimated)	12,870,519	6,688,012	6,182,507

SOURCE: Michigan Department of Treasury Revenue Sharing Search

(1) FY 2025 October - April amounts are actual. June - August amounts are projected based on the FY 2025 Appropriation Act (2024 Public Act 121) and the May 2025 Consensus Revenue Estimates. FY 2026 is projected based on the Governor's Executive Budget Recommendation.

Labor Force

A breakdown of the number of employees of the City and their affiliations with organized groups is as follows:

Table 19 - Labor Force Organized Groups

Bargaining Unit	As of June 30, 2025	Contract Expiration
Michigan Association of Public Employees	24	06/30/2029
International Union of Operating	17	12/19/2026
Other	128	
TOTAL	<u>169</u>	

SOURCE: City of Pontiac

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end. The City generally funds the liability in the sick and vacation internal service fund through contributions from the general fund and court fund.

Table 20 - Accumulated Compensated Absence Liability for Governmental and Business-type Activities

Fiscal Year Ended June 30	Compensated Absence Liability
2020	\$400,593
2021	376,536
2022	536,538
2023	821,234
2024	1,131,293

SOURCE: City of Pontiac Audited Financial Statements

Retirement Systems

In March 2021, the Internal Revenue Service ("IRS") approved the City's request to terminate the existing system, to establish a new plan, the City of Pontiac Reestablished General Employees' Retirement System, which will be 130% funded, and to transfer the excess assets to the newly created voluntary employees' beneficiary association ("VEBA"). There are no participants in the prior plan.

The reestablished General Employees' Retirement System is a single employer defined benefit pension plan that covers substantially all employees of the City, except police and fire employees. The System provides retirement benefits, as well as death and disability benefits. The plan is administered by the City of Pontiac Reestablished General Employees' Retirement System.

The Police and Fire Retirement System is a single employer defined benefit pension plan that covers all police and fire employees of the City. In 2011, a partial termination of the pension plan for police and fire employees was deemed to have occurred when the City contracted with the County sheriff for policing services. As of March 1, 2012, the City contracted with Waterford Township to provide fire services, and the plan no longer had any active employees. The plan is administered by the City of Pontiac Police and Fire Retirement System.

Table 21 - Schedule of Funding Progress (General Employees' Retirement System)

Actuarial Valuation Date as of December 31	Actuarial Accrued Liability (a)	Plan Fiduciary Net Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Ratio of Net Assets to Pension Liability (b/a)	Covered Payroll	Ratio of UAAL to Covered Payroll
2019	\$256,234,235	\$512,817,268	(\$256,583,033)	200.14%	\$1,391,765	(18,435.80%)
2020	287,096,992	549,899,376	(262,802,384)	191.54	1,349,022	(19,480.96)
2021	270,854,065	598,987,848	(328,133,783)	221.15	1,294,948	(25,339.53)
2022	251,459,094	382,236,834	(130,777,740)	152.01	1,013,588	(12,902.46)
2023	242,891,230	396,119,500	(153,228,270)	163.09	784,908	(19,524.81)

SOURCE: City of Pontiac Audited Financial Statements

Table 22 - Schedule of Employer Contributions (General Employees' Retirement System)

Actuarial Valuation Date As of December 31	Actual Employer Contributions	Annual Required Contributions
2019		
2020	-	-
2021	-	-
2022	-	-
2023	-	-

SOURCE: City of Pontiac Audited Financial Statements

Table 23 - Schedule of Funding Progress (Police and Fire Retirement System)

Actuarial Valuation Date as of December 31	Actuarial Accrued Liability (a)	Plan Fiduciary Net Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Ratio of Net Assets to Pension Liability (b/a)	Covered Payroll	Ratio of UAAL to Covered Payroll
2019	\$240,806,837	\$220,936,451	\$19,870,386	91.75%	-	-
2020	244,097,813	221,221,590	22,876,223	90.63	-	-
2021	246,905,871	237,832,010	9,073,861	96.32	-	-
2022	243,211,632	198,500,351	44,711,281	81.62	-	-
2023	236,829,871	198,870,715	37,959,156	83.97	-	-

SOURCE: City of Pontiac Audited Financial Statements

Table 24 - Schedule of Employer Contributions (Police and Fire Retirement System)

Actuarial Valuation Date As of December 31	Actual Employer Contributions	Annual Required Contributions
2019	\$2,133,428	\$2,133,428
2020	1,835,294	1,835,294
2021	4,745,450	2,248,844
2022	3,709,125	2,496,606
2023	3,819,003	3,819,003

SOURCE: City of Pontiac Audited Financial Statements

Other Post-Employment Benefits

The City's VEBA post-retirement health benefits plan is a single employer defined benefit postemployment health care plan that covers eligible retired employees and their spouses. The Plan allows employees who retire or become disabled and meet retirement eligibility requirements under the plan to continue medical coverage as a participant in the plan.

The trust was created as a result of a settlement agreement reached in a lawsuit filed by the City of Pontiac Retired Employees Association against the City, which principally sought to restore retiree health care that had been reduced or eliminated by the City's emergency manager in 2011. On April 4, 2017, the City announced that a tentative settlement had been reached. In October 2018, the federal judge on the case approved the tentative agreement. The settlement agreement also provided that the prior existing City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust (the "PF VEBA") would merge into the VEBA. The merger of the PF VEBA is completed as of June 30, 2024.

Table 25 - Schedule of Funding Progress (VEBA Trust)

Actuarial Valuation Date as of	Actuarial Accrued Liability (a)	OPEB Fiduciary Net Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Ratio of Net Assets to OPEB Liability (b/a)	Covered Payroll	Ratio of UAAL to Covered Payroll
June 2020	-	-	-	-	-	-
June 2021	-	-	-	-	-	-
June 2022	\$69,985,216	\$110,498,239	(\$40,513,023)	157.89%	-	-
June 2023	68,816,955	110,221,833	(41,404,878)	160.17%	-	-
Dec. 2023*	64,404,945	112,416,449	(48,011,504)	174.55%	-	-

SOURCE: City of Pontiac Audited Financial Statements

*The VEBA Trust transitioned to a December 31 year-end in 2023.

Table 26 - Schedule of Employer Contributions (VEBA Trust)

Actuarial Valuation Date As of	Actual Employer Contributions	Annual Required Contributions
June 2020	-	-
June 2021	-	-
June 2022*	\$85,450,811	\$4,974,321
December 2023	-	-
December 2024	-	-

SOURCE: City of Pontiac Audited Financial Statements

*Funds in excess of the 130% funded level of the City's Reestablished General Employees' Retirement System were transferred to the VEBA Trust.

Table 27 - Schedule of Funding Progress (Police and Fire Retirement System VEBA)

Actuarial Valuation Date as of December 31	Actuarial Accrued Liability (a)	OPEB Fiduciary Net Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Ratio of Net Assets to OPEB Liability (b/a)	Covered Payroll	Ratio of UAAL to Covered Payroll
2019	\$38,746,859	\$43,448,886	(\$4,702,027)	112.14%	-	-
2020	30,765,238	44,057,510	(13,292,272)	143.21	-	-
2021	44,552,146	47,781,918	(3,229,772)	107.25	-	-
2022	42,096,582	36,907,596	5,188,986	87.67	-	-
2023*	-	-	-	-	-	-

SOURCE: City of Pontiac Audited Financial Statements

*The Police and Fire Retirement System VEBA merged into the VEBA Trust and was pending as of June 30, 2023.

Table 28 - Schedule of Employer Contributions (Police and Fire Retirement System VEBA)

Actuarial Valuation Date As of December 31	Actual Employer Contributions	Annual Required Contributions
2019	\$2,925,244	-
2020	-	-
2021	-	-
2022	-	-
2023	-	-
2024	-	-

SOURCE: City of Pontiac Audited Financial Statements

Debt Statement

Table 29 - Direct and Indirect Debt*

As of October 7, 2025 (Includes the Bonds described herein)

<u>City Direct & Indirect Debt</u>	<u>Security</u>	<u>Dated Date</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
<u>Indirect Debt</u> ⁽¹⁾					
Share of County Issued Drain Bonds	LTGO	Various	\$ 60,338,658	\$ 60,338,658	\$ -0-
<u>Indirect Debt Total</u>			<u>\$ 60,338,658</u>	<u>\$ 60,338,658</u>	<u>\$ -0-</u>
<u>Direct Debt</u>					
<u>City of Pontiac</u>					
2025 Capital Improvement Bonds <i>(Preliminary, subject to change)</i>	-	-	\$ 18,755,000	\$ -0-	\$ 18,755,000
<u>City of Pontiac Direct Debt Subtotal</u>			<u>\$ 18,755,000</u>	<u>\$ -0-</u>	<u>\$ 18,755,000</u>
<u>Tax Increment Financing Authority Direct Debt</u> ⁽²⁾					
Local Government Loan Program Revenue Bonds, Series 2007C	LTGO	12/19/2007	\$ 9,830,000	\$ 9,830,000	\$ -0-
<u>Downtown Development Authority Direct Debt Subtotal</u>			<u>\$ 9,830,000</u>	<u>\$ 9,830,000</u>	<u>\$ -0-</u>
<u>Brownfield Redevelopment Authority Direct Debt</u>					
-	-	-	\$ -0-	\$ -0-	\$ -0-
<u>Brownfield Redevelopment Authority Direct Debt Subtotal</u>			<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Direct Debt Total</u>			<u>\$ 28,585,000</u>	<u>\$ 9,830,000</u>	<u>\$ 18,755,000</u>
<u>Total Direct & Indirect Debt</u>			<u>\$ 88,923,658</u>	<u>\$ 70,168,658</u>	<u>\$ 18,755,000</u>

SOURCES: City of Pontiac and the Municipal Advisory Council of Michigan.

* Preliminary, subject to change.

- (1) In conjunction with the transfer of operations of the City of Pontiac water and sewer system to Oakland County, the Oakland County Water and Sewer Trust Fund assumed the debt obligations initiated by the City of Pontiac for Clean Water/Water qualify projects in August of 2012. Drain Bonds are issued by the County often through the State of Michigan Drinking/Clean Water State Revolving Fund (SRF). The bonds are payable from special assessment or revenues from the prior City operated water and sewer system with the full faith and credit of the County as additional security. Assumes full principal amount of SRF debt has been drawn, net of any grant funding and principal forgiveness, if applicable.
- (2) In the event that the Tax Increment Financing Authority (TIFA) is unable to make a debt service payment, the City of Pontiac is required to make the payment. Accordingly, the TIFA reimburses the City for any debt service payments made by the City. On June 30, 2024, the TIFA had a recorded liability of \$7,293,668.

Table 30 - Schedule of Bonds with City Credit Pledged

As of October 7, 2025 (Includes the Bonds described herein)

<u>Year</u>	<u>TIFA Refunding Bonds Series 2007C</u>	<u>*2025 Capital Improvement Bonds</u>
2026	\$1,630,000	\$1,070,000
2027	1,745,000	580,000
2028	1,565,000	605,000
2029	1,570,000	640,000
2030	1,675,000	670,000
2031	1,645,000	705,000
2032	-	740,000
2033	-	775,000
2034	-	815,000
2035	-	855,000
2036	-	900,000
2037	-	945,000
2038	-	990,000

<u>Year</u>	<u>TIFA Refunding Bonds Series 2007C</u>	<u>*2025 Capital Improvement Bonds</u>
2039	-	1,040,000
2040	-	1,090,000
2041	-	1,145,000
2042	-	1,205,000
2043	-	1,265,000
2044	-	1,325,000
2045	-	1,395,000
TOTAL	<u>\$9,830,000</u>	<u>*\$18,755,000</u>

* Preliminary, subject to change.

Table 31 - Overlapping Debt*

As of October 7, 2025 (Includes the Bonds described herein)

<u>Overlapping Debt</u>	<u>Gross</u>	<u>Percent</u>	<u>Net</u>
School District of the City of Pontiac.....	\$150,089,135	35.53%	\$53,326,670
Oakland County.....	123,305,128	1.69	2,083,857
Oakland Intermediate School District	36,680,000	1.70	623,560
Oakland Community College	0	1.71	0
Total Overlapping Debt.....			<u>\$56,034,087</u>
Total City Net Direct & Indirect and Overlapping Debt			<u>\$74,789,087</u>

SOURCE: Municipal Advisory Council of Michigan

* Preliminary, subject to change.

Debt Ratios

Table 32 - Net Direct Debt and Net Direct and Overlapping Debt Ratios*

As of October 7, 2025 (Includes the Bonds described herein)

Per Capita (2020 Census of 61,606)

Net Direct & Indirect Debt	\$304.43
Net Direct & Indirect and Overlapping Debt.....	\$1,213.99

Ratio to 2025 Taxable Valuation (\$1,366,689,640) Net Direct & Indirect Debt

Net Direct & Indirect Debt	1.37%
Net Direct & Indirect and Overlapping Debt.....	5.47%

Ratio to 2025 State Equalized Valuation (\$1,962,856,230) Net Direct & Indirect Debt

Net Direct & Indirect Debt	0.96%
Net Direct & Indirect and Overlapping Debt.....	3.81%

Ratio to 2025 Estimated True Cash Value (\$3,925,712,460) Net Direct & Indirect Debt

Net Direct & Indirect Debt	0.48%
Net Direct & Indirect and Overlapping Debt.....	1.91%

* Preliminary, subject to change.

Legal Debt Margin

The net indebtedness of the City shall not be in excess of 10% of the state equalized valuation of all real and personal property. Obligations which are not included in the computation of legal debt margin according to the statutes incorporating the unit of government are:

- (1) Special Assessment Bonds;
- (2) Mortgage Bonds;
- (3) Michigan Transportation Fund Bonds;
- (4) Revenue Bonds;
- (5) Bonds issued, or contracts or assessment obligations, incurred, to comply with an order of the Water Resources Commission (now the Department of Environmental Quality) or a court of competent jurisdiction;
- (6) Other obligations incurred for water supply, sewage, drainage or refuse disposal projects necessary to protect the public health by abating pollution.

Table 33 - Legal Debt Margin Subject to State Limitation*

As of October 7, 2025 (Includes the Bonds described herein)

2025 State Equalized Valuation - excluding IFT values		\$1,962,856,230
Plus: Equivalent 2025 valuation of Act 198 exemptions		<u>31,923,510</u>
Total Valuation		\$1,994,779,740
Debt Limit - 10% of State Equalized Valuation		\$199,477,974
Amount of Direct and Indirect Debt Outstanding	\$88,923,658	
Less: Self-Supporting	70,168,658	
Total Subject to Debt Limit		<u>\$18,755,000</u>
Additional Debt Which Could Be Legally Incurred		<u>\$180,722,974</u>

* Preliminary, subject to change.

Debt History

The City has no record of default on its bonded indebtedness.

Future Financing

The City does not currently anticipate incurring debt, through the issuance of bonds or otherwise, to finance capital projects within the next twelve (12) months.

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APPENDIX B

**GENERAL FUND BUDGET SUMMARY
CITY OF PONTIAC, COUNTY OF OAKLAND, STATE OF MICHIGAN**

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APPENDIX B
CITY OF PONTIAC
COUNTY OF OAKLAND, STATE OF MICHIGAN
GENERAL FUND BUDGET SUMMARY

	FY 2025 <u>Amended Budget</u>	FY 2026 <u>Adopted Budget</u>
GENERAL FUND REVENUE		
Property Taxes and Special Assessments	\$13,553,700	\$16,017,469
Income Taxes	19,130,000	21,704,375
Federal	1,808,141	4,470,000
State	14,719,792	16,668,559
Charges for Services	1,406,320	1,475,000
Fines and Forfeitures	2,000	2,000
Licenses and Permits	98,000	95,000
Investment Income (Loss)	5,554,059	5,443,413
Miscellaneous	<u>4,055,063</u>	<u>3,655,810</u>
Total General Fund Revenue	\$60,327,075	\$69,531,626
EXPENDITURES		
General Government	\$12,543,120	\$13,913,984
Public Safety	27,078,473	32,413,851
Public Works	8,491,807	14,206,083
Community and Economic Development	4,330,824	2,593,911
Recreation and Culture	<u>5,786,364</u>	<u>5,505,451</u>
Total Expenditures	\$58,230,588	\$68,633,280
Revenues Over (Under Expenditures)	<u>\$2,096,487</u>	<u>\$898,346</u>
Audited Fund Balance, Beginning ⁽¹⁾	\$49,824,394	\$51,920,881
Net Change in Fund Balance	<u>\$2,096,487</u>	<u>\$898,346</u>
Fund Balance, Ending	\$51,920,881	\$52,819,227

SOURCE: City of Pontiac

(1) Based on Fiscal Year 2024 Audited Financial Statements.

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APPENDIX C

REPORT ON FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION FOR FISCAL YEAR ENDED JUNE 30, 2024 CITY OF PONTIAC, COUNTY OF OAKLAND, STATE OF MICHIGAN

The auditor was not requested to examine or review and therefore has not examined or reviewed any financial documents, statements, or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and accordingly, has not conducted any post-audit review procedures and will not express any opinion with respect to the accuracy or completeness of such financial documents, statements or materials.

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**CITY OF PONTIAC
OAKLAND COUNTY, MICHIGAN
Report on Financial Statements
(With required supplementary and other supplemental
Information and Single Audit Supplement
Required by the Uniform Guidance)
Year Ended June 30, 2024**

**City of Pontiac
Financial Report
For the Year Ended
June 30, 2024**

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June 30, 2024**

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For the Year Ended
June 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Pontiac
Oakland County, Michigan

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of The City of Pontiac (the City) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

We did not audit the financial statements of the following entities, which represent the indicated percentage of total fiduciary funds:

	Percentage of Assets	Percentage of Additions	Percentage of Net Position
General City Employees' Retirement System	7.46%	5.06%	7.40%
Reestablished General City Employees' Retirement System	51.92%	32.75%	51.85%
Police and Fire Retirement Systems	25.93%	19.07%	26.03%
VEBA Trust	14.68%	6.73%	14.71%
Police and Fire Retirement Systems VEBA	0.00%	3.79%	0.00%

Statements of Police and Fire Retirement Systems and Police and Fire Retirement Systems VEBA were audited by other auditors whose reports thereon were furnished to us, and our opinions, insofar as they relate to the amounts included for the above entities, are based solely on the report of the other auditors. Financial information related to the General City Employees' Retirement System, Reestablished General City Employees' Retirement System and the VEBA Trust are included in our report based on information provided to us and are therefore unaudited as of our report date.

In our opinion, based on our audit and the report of the other auditors, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our reports, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the City, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Business-type Activities, the Aggregate Discretely Presented Component Units, and Each Major Fund

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and each major fund of the City, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Qualified Opinions on the Governmental Activities and the Aggregate Remaining Fund Information

Alternative investments amounting to \$96,643,068 (48.60% of fiduciary net position) as of December 31, 2023, have been presented at fair value as measured by the Police and Fire Retirement System. The other auditors reviewed the procedures applied by the Police and Fire Retirement System in valuing the securities and have inspected the underlying documentation. In their opinion, those procedures are not adequate to measure the fair value of the investments in accordance with accounting principles generally accepted in the United States of America. Consequently, they were unable to determine whether any adjustments to these amounts were necessary. As a result, the amount by which this matter would affect the net pension liability of governmental activities related to the Police and Fire Retirement System has not been determined. Additionally, General City Employees' Retirement System, Reestablished General City Employees' Retirement System, and the VEBA Trust audits weren't completed as of the date of our issuance, therefore the amount by which final audited statements would affect the net pension and OPEB liability of governmental activities related to these funds has not been determined.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control

relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules of major funds, the schedules of the City's share of the net pension liability and pension contributions, the schedules of the City's share of the net postemployment benefit other than pensions (OPEB) liability and OPEB contributions and the notes to required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pontiac, Michigan's basic financial statements. The other supplemental information, including combining and individual nonmajor fund financial statements, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2024 on our consideration of The City of Pontiac internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations,

CITY OF PONTIAC, MICHIGAN
Management's Discussion and Analysis

contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The City of Pontiac internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The City of Pontiac internal control over financial reporting and compliance.

Haven Group CPAs & Advisors

Haven Group CPAs & Advisors
Taylor, Michigan
December 23, 2024

Our discussion and analysis of the City of Pontiac, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the City's financial statements.

Financial Highlights

- Total net position (deficit) \$375,819,571
- Change in total net position \$49,702,571
- Fund balances, governmental funds \$84,328,107
- Change in fund balances, governmental funds \$10,942,717
- Unassigned fund balance, general fund \$46,377,573
- Change in fund balance, general fund \$9,609,376
- Long-term debt outstanding \$4,439,077
- Change in long-term debt \$(4,381,403)

Overview of the Financials Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned and unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, community and human services, and

CITY OF PONTIAC, MICHIGAN
Management's Discussion and Analysis
(Continued)

recreation and culture. The business-type activities of the City include the Phoenix Center (parking fund).

The government-wide financial statements include not only the City itself (known as the primary government), but also two legally separate Tax Increment Finance Authorities and a legally separate Brownfield Redevelopment Authority, known as component units, for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains numerous individual governmental funds. Information is presented separately for each major fund (general, major streets, Progress for Pontiac, and VEBA retiree healthcare opt out) and combined for the nonmajor funds in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance. Individual fund data for the nonmajor funds is found in the supplemental information.

In compliance with the City's budget ordinance, the city prepared a budget for fiscal year 2023-2024. The City Council of the City of Pontiac adopted the 2023-2024 fiscal year budget by function. This allows City officials responsible for the expenditures authorized in the budget to expend City funds up to, but not to exceed, the total appropriation authorized for each function. A budgetary comparison schedule has been provided for the general fund and each major special revenue fund to demonstrate compliance with this budget.

Proprietary funds are used by the City to provide the same type of information as the government-wide financial statements, only in more detail. Two types of proprietary funds are used. Enterprise

CITY OF PONTIAC, MICHIGAN
Management's Discussion and Analysis
(Continued)

funds are used to report the same functions as presented as business-type activities in the government-wide financial statements. The parking fund is the City's only enterprise fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for costs related to workers' compensation, insurance, and accrued employee time off in the workers' compensation fund, the insurance fund, and the employee sick and vacation fund, respectively. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Phoenix Center which is the City's only enterprise fund. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the other supplemental information section of this report.

Fiduciary funds are used to account for resources held by the government for the benefit of outside parties. Fiduciary funds are not reported in the government-wide financial statement because the fund's resources are not available to support the programs of the City. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This is limited to this management's discussion and analysis and the schedules for the pension and other postemployment benefit plans and budgetary information for the City's general fund and major special revenue funds.

The combining statements referred to earlier in connection with the nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Government-wide Overall Financial Analysis

The following table shows, in a condensed format, the net position as of June 30, 2024, as compared to the prior year:

CITY OF PONTIAC, MICHIGAN
Management's Discussion and Analysis
(Continued)

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current and other assets	\$ 295,722,474	\$ 253,785,024	\$ 2,151,771	\$ 1,885,677	\$ 297,874,245	\$ 255,670,701
Capital assets, net	89,862,895	90,293,602	7,219,367	7,774,083	97,082,262	98,067,685
Total assets	385,585,369	344,078,626	9,371,138	9,659,760	394,956,507	353,738,386
Deferred outflows	27,281,470	39,424,320	-	-	27,281,470	39,424,320
Liabilities						
Current and other liabilities	39,582,829	51,098,661	(239,073)	(191,005)	39,343,756	50,907,656
Long-term debt outstanding	4,439,077	8,820,480	-	-	4,439,077	8,820,480
Total Liabilities	44,021,906	59,919,141	(239,073)	(191,005)	43,782,833	59,728,136
Deferred inflows	2,635,573	7,267,077	-	50,492	2,635,573	7,317,569
Net position:						
Net investment in capital assets	89,862,895	90,293,602	7,219,367	7,774,083	97,082,262	98,067,685
Restricted	163,103,027	125,748,941	1,786,867	1,460,182	164,889,894	127,209,123
Unrestricted (deficit)	113,243,438	100,274,183	603,977	566,008	113,847,415	100,840,191
Total net position	\$ 366,209,360	\$ 316,316,726	\$ 9,610,211	\$ 9,800,273	\$ 375,819,571	\$ 326,117,000

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$375,819,571 at the close of the most recent fiscal year. \$97,082,262 of the City's net position reflects its investment in capital assets (e.g. land, construction in progress, buildings, machinery, equipment, vehicles, leases, and infrastructure), net of any related debt used to acquire those assets that is still outstanding. The city uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the City's net position, \$164,889,894, represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted balance of \$113,847,415.

The City's overall net position increased by \$49,702,571 from the prior fiscal year. The reasons for the overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental activities. During the current fiscal year, net position for governmental activities increased by \$49,892,634 from the prior fiscal year for an ending balance of \$366,209,360. This increase is primarily due to a mixture of higher revenues and lower expenses than anticipated. Other significant changes include:

- Operating grants decreased from the prior year by \$8,329,913. This is primarily attributable to the City not bringing in \$10M of ARPA funding this year.

CITY OF PONTIAC, MICHIGAN
Management's Discussion and Analysis
(Continued)

- Capital grants increased from the prior year by \$845,462. Grant funding is fluid. This change represents continued success in attracting money improvements to the senior centers.
- Income tax revenue increased from the prior year by \$1,278,087. This can be attributed to the stronger than expected US economy.
- Other general revenues increased from the prior year by \$76,886. This represents funding received through the Opioid settlement.
- General government expenses increased from the prior year by \$263,217 primarily due to an increase in professional fees.
- Public safety expenses increased from the prior year by \$23,192,510. During 2023 public safety expenses related to Pension and OPEB decreased by approximately \$27.0 million. In the current fiscal year, the decrease was approximately \$5.5 million. Therefore, approximately \$21.5 million of the current year change relates to pension and OPEB. The remaining \$1.5 million is the actual increase in public safety expenses in the current year.

Business-type activities. The City's business-type activities consists of the parking fund. During the current fiscal year, net position for business-type activities decreased by \$190,062 from the prior fiscal year for an ending balance of \$9,610,211. Activity in the parking fund was minimal during the year. Expenses decreased \$1,510,744 primarily due to a large decrease in pension expense related to the general employees' pension asset.

The following table shows the changes of the net position during the current year ended June 30, 2024, as compared to the prior year:

CITY OF PONTIAC, MICHIGAN
Management's Discussion and Analysis
(Continued)

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Program revenues:						
Charges for services	\$ 34,750,542	\$ (24,679,193)	\$ -	\$ -	\$ 34,750,542	\$ (24,679,193)
Operating grants	22,244,636	30,574,549	-	-	22,244,636	30,574,549
Capital grants	845,462	-	-	-	845,462	-
General Revenues:						
Property taxes	19,907,960	17,307,474	-	-	19,907,960	17,307,474
Income Taxes	20,356,828	19,078,741	-	-	20,356,828	19,078,741
Unrestricted state revenues	18,046,348	12,281,418	-	-	18,046,348	12,281,418
Unrestricted investment earnings (loss)	5,501,909	3,278,878	-	104,519	5,501,909	3,383,397
Cable franchise fees	386,866	451,253	-	-	386,866	451,253
Other general revenues	271,168	194,282	-	-	271,168	194,282
Total revenues	122,311,720	58,487,402	-	104,519	122,311,719	58,591,921
Expenses:						
General government	18,231,750	17,968,533	-	-	18,231,750	17,968,533
Public safety	27,222,575	4,030,065	-	-	27,222,575	4,030,065
Public works	22,238,602	22,911,630	-	-	22,238,602	22,911,630
Community development	1,274,079	168,821	-	-	1,274,079	168,821
Community and human services	582,345	698,747	-	-	582,345	698,747
Recreation and culture	2,671,923	1,246,023	-	-	2,671,923	1,246,023
Interest on long-term debt	197,812	315,832	-	-	197,812	315,832
Parking	-	-	190,062	1,700,806	190,062	1,700,806
Total expenses	72,419,086	47,339,652	190,062	1,700,806	72,609,148	49,040,457
Change in net position	49,892,634	11,147,750	(190,062)	(1,596,288)	49,702,571	9,551,462
Net position:						
Beginning of year	316,316,726	305,168,976	9,800,273	11,396,561	326,117,000	316,565,538
End of year	\$ 366,209,360	\$ 316,316,726	\$ 9,610,211	\$ 9,800,273	\$ 375,819,571	\$ 326,117,000

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Pontiac City Council.

CITY OF PONTIAC, MICHIGAN
Management's Discussion and Analysis
(Continued)

At June 30, 2024, the City's governmental funds reported combined fund balances of \$84,328,107, an increase of \$10,942,717 in comparison with the prior year. Approximately 55% of this amount, \$46,377,573, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1) not in a spendable form (\$34,359), 2) restricted for particular purposes (\$34,716,175), 3) committed for particular purposes (\$3,200,000), or 4) assigned for particular purposes (\$0).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$46,377,573, while total fund balance increased to \$49,824,394. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 93% of the total general fund expenditures, while total fund balance represents approximately 100% of that same amount.

The fund balance of the City's general fund for fiscal year 2024 was \$49,824,394, an increase of \$9,609,376 from the prior fiscal year. This is largely a result of the struggles that the City had with filling positions. Not filling positions had the double effect of lowering employment costs and stopping the City from completing projects. Additionally, the strong performance of the economy resulted in much higher-than-expected tax collection and continued real estate investment.

The major streets fund had a increase of \$209,627 in fund balance during the current fiscal year, which increased the overall fund balance to \$5,953,336. This increase is primarily due to the engineering division preparing for projects planned for 2024-2025 fiscal year.

The Progress for Pontiac fund was established towards the end of the prior fiscal year. This fund was created to receive and expend funds from the federal American Rescue Plan that was enacted in 2021. In total, the city received approximately \$37.7 million. Approximately \$18.9 million was received in the prior fiscal year. Approximately \$1.3 million was spent this fiscal year. Approximately \$26 million was reported as deferred revenue as of June 30, 2024.

The VEBA retiree healthcare opt out fund had an ending fund balance of \$3,800,000. \$8,000,000 was budgeted during the creation of the VEBA to facilitate opt-out payments to retirees who would choose not to take advantage of the VEBA provided healthcare. As of June 30, 2024, \$4,200,000 was dispersed through that fund.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The parking fund was largely inactive as on-street parking was given to a third party who did not operate during the year.

CITY OF PONTIAC, MICHIGAN
Management's Discussion and Analysis
(Continued)

General Fund Budgetary Highlights

Original budget compared to final budget. Over the course of the year, the city amended the budget to take into account events during the year. The significant portion of which was for general government expenditures.

Final budget compared to actual results. The most significant differences between estimated and actual amounts were as follows:

- Total revenues exceeded the final budget by \$1,070,571.
- Total expenditures came in \$8,946,109 less than budgeted. Significant savings resulted from less than anticipated expenditures for the following:
 - The general government function was less than anticipated. Expenditures were \$2,834,285 less than budget mainly due to unfilled positions.
 - Public safety function came in \$1,450,022 less than budget mainly due to final overtime expenses being lower than projected and decreased contractual costs.
 - Public works function was \$2,458,593 less than budget mainly due to vacant positions and projects that were not able to be completed. This also reflects intentional decisions to move some road projects to the future.
 - Community and economic development function was \$1,134,625 less than budget mainly due to staffing shortages.
 - Recreation and culture function was \$798,182 less than budget. This is mostly a result of mismanagement. The situation has been rectified.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2024, amounts to \$97,082,262 (net of accumulated depreciation/amortization). The investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, vehicles, land improvements, and leases.

CITY OF PONTIAC, MICHIGAN
Management's Discussion and Analysis
(Continued)

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 25,105,058	\$ 25,105,058	\$ 3,042,537	\$ 3,042,537	\$ 28,147,595	\$ 28,147,595
Construction in progress	3,504,477	3,059,981	-	-	3,504,477	3,059,981
Streets and bridges	57,109,938	58,722,651	-	-	57,109,938	58,722,651
Buildings and improvements	1,928,147	1,883,017	4,176,829	4,731,546	6,104,976	6,614,563
Machinery and equipment	1,427,568	1,329,432	-	-	1,427,568	1,329,432
Vehicles	286,445	32,966	-	-	286,445	32,966
Land improvements	271,141	160,497	-	-	271,141	160,497
Leased vehicles	230,120	-	-	-	230,120	-
Total assets	\$ 89,862,895	\$ 90,293,602	\$ 7,219,367	\$ 7,774,083	\$ 97,082,262	\$ 98,067,685

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the city had total indebtedness of \$4,439,077.

The City's total indebtedness decreased by \$4,381,403 during the current fiscal year primarily due to the payoff of the Ottawa Tower of \$4,972,467. The total indebtedness decrease was offset by the increase in the Landfill closure costs and compensated absences.

Presently, the city does not have any debt that is rated by any of the debt rating agencies related to governmental activities and business-type activities.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

Economic Factors

During the last fiscal year, the City was not able to complete many high dollar projects. Mostly, this can be attributed to an inability to hire key staff, such as a Finance Director, City Engineer and DPW Director. Additionally, vacancies in middle management and line staff contributed to the lower-than-expected spending rate. In addition to reduced spending, the City continued to outperform projected revenues. This outperformance can be attributed to unexpectedly sustained high growth in the real estate market and better than expected performance in the job market. The City is beginning to see payoffs from its strong investment in Community Development. There is demonstrably less blight in the community and an increase in both building permits and compliance with building and zoning regulations. In the next year, the city is looking to increase efforts to provide access to affordable housing.

The previous fiscal year also saw a good deal of planning effort towards parks improvements. In the calendar year 2025, the physical investment in the parks will begin. During the current fiscal

CITY OF PONTIAC, MICHIGAN
Management's Discussion and Analysis
(Continued)

year, Oakland County will begin their investment in downtown. This will place a lot of new money into the economy. Additionally, the City is poised to begin much needed investment in public buildings during the 2025 calendar year.

Finally, the City remains optimistic about the economic future as there are several large commercial and industrial projects that are currently being planned by the private sector for 2025.

The City remains cautiously optimistic about the overall economic factors.

Requests for Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City at Pontiac City Hall, 47450 Woodward Ave., Pontiac, Michigan, 48342.

City of Pontiac
Statement of Net Position
June 30, 2024

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 95,086,304	\$ 364,904	\$ 95,451,208	\$ 1,098,799
Receivables, net	13,153,269	-	13,153,269	-
Other assets	7,237,086	-	7,237,086	-
Restricted assets	28,804,412	-	28,804,412	-
Capital assets - non-depreciating	28,609,535	3,042,537	31,652,072	-
Capital assets - depreciating/amortizing, net	61,253,360	4,176,830	65,430,190	-
Net pension asset	151,441,403	1,786,867	153,228,270	-
Total Assets	385,585,369	9,371,138	394,956,507	1,098,799
Deferred outflows of resources				
Deferred charge on refunding	-	-	-	298,496
Deferred pension amounts	27,281,470	-	27,281,470	-
Total deferred outflows of resources	27,281,470	-	27,281,470	298,496
Liabilities				
Accounts payable and accrued liabilities	12,611,120	-	12,611,120	106,786
Unearned revenue	36,585,219	-	36,585,219	-
Lease payable (due within one year)	43,321	-	43,321	-
Long-term liabilities:				
Due within one year	848,470	-	848,470	1,520,000
Due in more than one year	3,590,607	-	3,590,607	9,830,000
Financial guarantee	-	-	-	7,293,668
Lease payable (due in more than one year)	156,444	-	156,444	-
Net pension liability (due in more than one year)	37,959,156	-	37,959,156	-
Net other postemployment benefit liability (due in more than one year)	(47,772,431)	(239,073)	(48,011,504)	-
Total Liabilities	44,021,906	(239,073)	43,782,833	18,750,454
Deferred inflows of resources				
Deferred pension amounts	1,217,407	-	1,217,407	-
Deferred other postemployment benefit amounts	-	-	-	-
Deferred lease amounts	1,418,166	-	1,418,166	-
Total deferred inflows of resources	2,635,573	-	2,635,573	-
Net position				
Net invested in capital assets	89,862,895	7,219,367	97,082,262	-
Restricted for:				
Roads	7,464,964	-	7,464,964	-
Healthcare payouts	3,800,000	-	3,800,000	-
Drug enforcement	213,956	-	213,956	-
Capital projects	4,479,198	-	4,479,198	-
Sanitation	10,040,507	-	10,040,507	-
Senior activities	589,048	-	589,048	-
Community development	30,460	-	30,460	-
Home buyers association	47,360	-	47,360	-
Youth recreation	1,998,764	-	1,998,764	-
Cable television	600,949	-	600,949	-
Building inspection	2,325,754	-	2,325,754	-
Pension benefits	125,152,493	1,786,867	126,939,360	-
Other restricted	6,359,574	-	6,359,574	-
Unrestricted (Deficit)	113,243,438	603,977	113,847,415	(17,353,159)
Total net position (deficit)	\$ 366,209,360	\$ 9,610,211	\$ 375,819,571	\$ (17,353,159)

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Statement of Activities
Year Ended June 30, 2024

					Net (Expense) Revenue and Changes in Net Position			
Functions/programs	Program Revenue				Primary Government			Component Unit
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental activities:								
General government	\$ 18,231,750	\$ 23,254,377	\$ 7,829,586	\$ -	\$ 12,852,214	\$ -	\$ 12,852,214	\$ -
Public safety	27,222,575	398,159	2,629,193	-	(24,195,222)	-	(24,195,222)	-
Public works	22,238,602	10,795,852	9,877,119	845,462	(720,170)	-	(720,170)	-
Community development	1,274,079	263,181	1,691,761	-	680,863	-	680,863	-
Community and human services	582,345	-	154,476	-	(427,869)	-	(427,869)	-
Recreation and culture	2,671,923	38,973	62,501	-	(2,570,449)	-	(2,570,449)	-
Interest on long-term debt	197,812	-	-	-	(197,812)	-	(197,812)	-
Total Governmental Activities	72,419,086	34,750,542	22,244,636	845,462	(14,578,446)	-	(14,578,446)	-
Business-type activities:								
Parking Fund	190,062	-	-	-	-	(190,062)	(190,062)	-
Total primary government	\$ 72,609,148	\$ 34,750,542	\$ 22,244,636	\$ 845,462	\$ (14,578,446)	\$ (190,062)	\$ (14,768,507)	\$ -
Component units:								
Tax Increment Financing Authority	\$ 834,176	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (764,176)
Brownfield Redevelopment Authority	(100,330)	-	-	-	-	-	-	100,330
	\$ 733,846	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (663,846)
General Revenues:								
					19,907,960	-	19,907,960	2,546,161
					20,356,828	-	20,356,828	-
					18,046,348	-	18,046,348	334,557
					5,501,909	-	5,501,909	-
					386,866	-	386,866	-
					271,168	-	271,168	-
					64,471,079	-	64,471,079	2,880,718
Change in net position					49,892,634	(190,062)	49,702,571	2,216,872
Net position, beginning of year					316,316,726	9,800,273	326,117,000	(19,570,031)
Net position, end of year					\$ 366,209,360	\$ 9,610,211	\$ 375,819,571	\$ (17,353,159)

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Balance Sheet
Governmental Funds
June 30, 2024

	General Fund	Major Streets Fund	Progress for Pontiac Fund	VEBA Retiree Healthcare Opt-out	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 51,429,041	\$ 10,806,808	\$ -	\$ 3,800,000	\$ 26,141,549	\$ 92,177,398
Accounts receivable, net	753,161	362,069	-	-	285,340	1,400,570
Taxes receivable, net	5,885,542	-	-	-	58,081	5,943,623
Leases receivable	1,418,166	-	-	-	-	1,418,166
Interest receivable	135,503	7,419	-	-	103,960	246,882
Due from other governments	2,106,682	1,089,479	-	-	766,738	3,962,899
Due from other funds	4,213,592	-	-	-	1,693,921	5,907,513
Prepays	33,757	-	-	-	602	34,359
Restricted assets	-	-	26,389,237	-	2,415,175	28,804,412
Total Assets	\$ 65,975,444	\$ 12,265,775	\$ 26,389,237	\$ 3,800,000	\$ 31,465,366	\$ 139,895,822
Liabilities, deferred inflows of resources and fund balances						
Liabilities						
Accounts payable	\$ 5,582,812	\$ 1,019,280	\$ 544,993	\$ -	\$ 931,709	\$ 8,078,794
Accrued wages	308,272	7,820	3,083	-	115,374	434,549
Unearned revenue	250,000	5,000,000	25,841,161	-	5,494,058	36,585,219
Due to other governments	135,727	-	-	-	16,546	152,273
Due to other funds	1,693,921	-	-	-	-	1,693,921
Deposits payable	2,684,136	-	-	-	80,596	2,764,732
Total Liabilities	10,654,868	6,027,100	26,389,237	-	6,638,283	49,709,488
Deferred inflows of resources						
Unavailable revenue - taxes and due from other governments	4,078,016	285,339	-	-	76,706	4,440,061
Deferred lease amounts	1,418,166	-	-	-	-	1,418,166
Total deferred inflows of resources	5,496,182	285,339	-	-	76,706	5,858,227
Fund Balances						
Nonspendable	33,757	-	-	-	602	34,359
Restricted	213,064	5,953,336	-	3,800,000	24,749,775	34,716,175
Committed	3,200,000	-	-	-	-	3,200,000
Assigned	-	-	-	-	-	-
Unassigned	46,377,573	-	-	-	-	46,377,573
Total Fund Balances	49,824,394	5,953,336	-	3,800,000	24,750,377	84,328,107
Total liabilities, deferred inflows of resources and fund balances	\$ 65,975,444	\$ 12,265,775	\$ 26,389,237	\$ 3,800,000	\$ 31,465,366	\$ 139,895,822

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2024

Total Governmental Fund Balances \$ 84,328,107

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are financial resources and are not reported in the funds

Capital assets not being depreciated 28,609,535

Capital assets being depreciated, net 61,253,360

Because the focus of the governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows in the governmental funds and, therefore, are not included in fund balance.

4,440,061

Certain pension and other postemployment benefit related amounts, such as the net pension liability and other postemployment benefit assets/liabilities and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability (37,959,156)

Net pension asset 151,441,403

Net other postemployment benefit liability 47,772,431

Deferred outflows related to net pension asset and liability 12,887,653

Deferred outflows related to net other postemployment benefit liability 14,393,817

Deferred inflows related to net pension asset and liability (1,217,407)

Deferred inflows related to net other postemployment benefit liability -

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

3,767,105

Long term liabilities are not due and payable in the current period, and therefore are not recorded in the funds

Leases payable (199,765)

Financial guarantee (702,648)

Lawsuit settlement -

Landfill closure and postclosure costs (2,605,136)

Net position of governmental activities \$ 366,209,360

City of Pontiac
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2024

	General Fund	Major Highway Fund	Progress for Pontiac Fund	VEBA Retiree Healthcare Opt-out	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes and special assessments	\$ 13,641,663	\$ -	\$ -	\$ -	\$ 6,266,297	\$ 19,907,960
Income taxes	20,102,666	-	-	-	-	20,102,666
Federal	455,019	-	1,396,037	-	321,775	2,172,831
State	17,916,646	6,995,495	-	-	3,305,593	28,217,734
Charges for services	1,338,169	-	-	-	3,427,186	4,765,355
Fines and forfeitures	1,330	-	-	-	868,583	869,913
Licenses and permits	109,721	-	-	-	2,021,918	2,131,639
Other	3,347,456	11,617	-	-	898,428	4,257,501
Total Revenues	<u>56,912,670</u>	<u>7,007,112</u>	<u>1,396,037</u>	<u>-</u>	<u>17,109,780</u>	<u>82,425,599</u>
Expenditures						
Current:						
General government	8,849,685	-	-	40,000	1,061,601	9,951,286
District court	-	-	-	-	3,491,273	3,491,273
Public safety	25,933,560	-	-	-	2,895,158	28,828,718
Public works	3,982,686	6,932,448	1,396,037	-	7,048,888	19,360,059
Community and economic development	1,274,079	-	-	-	-	1,274,079
Community and human services	-	-	-	-	978,366	978,366
Recreation and culture	1,110,149	-	-	-	1,399,934	2,509,983
Retiree fringe benefits	3,811,712	-	-	-	-	3,811,712
Debt Payments:						
Principal	4,972,467	-	-	-	-	4,972,467
Lease Principal	-	-	-	-	71,544	71,544
Interest and fiscal charges	186,898	-	-	-	10,915	197,813
Capital Outlay	-	-	-	-	2,078,530	2,078,530
Total Expenditures	<u>50,121,236</u>	<u>6,932,448</u>	<u>1,396,037</u>	<u>40,000</u>	<u>19,036,109</u>	<u>77,525,830</u>
Revenues Over (Under) Expenditures	<u>6,791,434</u>	<u>74,664</u>	<u>-</u>	<u>(40,000)</u>	<u>(1,926,329)</u>	<u>4,899,769</u>
Other Financing Sources (Uses)						
Investment income (loss)	5,632,800	134,963	-	-	275,185	6,042,948
Transfers In	640,025	-	-	-	2,856,244	3,496,269
Transfers Out	(3,454,883)	-	-	-	(41,386)	(3,496,269)
Total Other Financing Sources (Uses):	<u>2,817,942</u>	<u>134,963</u>	<u>-</u>	<u>-</u>	<u>3,090,043</u>	<u>6,042,948</u>
Net Change in Fund Balance	9,609,376	209,627	-	(40,000)	1,163,714	10,942,717
Fund Balances:						
Beginning of Year	40,215,018	5,743,709	-	3,840,000	23,586,663	73,385,390
End of Year	<u>\$ 49,824,394</u>	<u>\$ 5,953,336</u>	<u>\$ -</u>	<u>\$ 3,800,000</u>	<u>\$ 24,750,377</u>	<u>\$ 84,328,107</u>

The accompanying notes are an integral part of the financial statements.

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Reconciliation of Net Changes in Fund Balances of Governmental Funds
to Changes in Net Position of Governmental Activities
Year Ended June 30, 2024

City of Pontiac
Statement of Net Position
Proprietary Funds
June 30, 2024

Net change in fund balances total governmental funds	\$ 10,942,717
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation. Losses and gains on disposals of assets are not used in governmental funds.	
Capital outlay	6,140,233
Depreciation expense	(6,502,445)
Amortization expense	(41,189)
Asset disposals	(27,307)
Revenues recorded in the statement of activities in the prior year that did not provide current financial resources are reported as revenues in the funds in the current year.	
	517,221
Bond and lease proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term liabilities	4,972,467
Issuance of financing lease	(271,309)
Principal payments on leases	71,544
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in net pension liability and related deferred amounts	30,853,105
Change in net other postemployment benefit obligation and related deferred amounts	2,285,921
Change in financial guarantee	-
Change in landfill closure and postclosure liability	(281,005)
Change in accrued interest payable on bonds and capital leases	
Amortization of bond discount	
Change in the accrual for compensated absences	
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The change in the net position of the internal service funds is reported with the governmental activities.	
	1,232,681
Change in net position of governmental activities	<u><u>\$ 49,892,634</u></u>

	Business-type Activities	Governmental Activities
	Parking	Internal
	Enterprise Fund	Service Funds
Assets		
Current Assets:		
Cash and investments	\$ 364,904	\$ 2,908,906
Accounts receivable	-	181,129
Prepays	-	7,202,727
Total Current Assets	<u>364,904</u>	<u>10,292,762</u>
Noncurrent assets:		
Capital assets - non-depreciating	3,042,537	-
Capital assets - depreciating, net	4,176,830	-
Net pension asset	1,786,867	-
Total Noncurrent Assets	<u>9,006,234</u>	<u>-</u>
Total Assets	<u>9,371,138</u>	<u>10,292,762</u>
Liabilities		
Current Liabilities:		
Accounts payable	-	44,586
Accrued liabilities	-	1,136,186
Due to other funds	-	4,213,592
Current portion of compensated absences	-	848,470
Total Current Liabilities	<u>-</u>	<u>6,242,834</u>
Noncurrent Liabilities:		
Total other postemployment benefit liability	(239,073)	-
Compensated absences, net of current portion	-	282,823
Total Noncurrent Liabilities	<u>(239,073)</u>	<u>282,823</u>
Total Liabilities	<u>(239,073)</u>	<u>6,525,657</u>
Deferred inflows of resources		
Deferred pension amounts	-	-
Net position		
Investment in capital assets	7,219,367	-
Restricted for pension benefits	1,786,867	-
Unrestricted	<u>603,977</u>	<u>3,767,105</u>
Total net position	<u><u>\$ 9,610,211</u></u>	<u><u>\$ 3,767,105</u></u>

The accompanying notes are an integral part of the financial statements.

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**City of Pontiac
Statement of Revenues, Expenses
And Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2024**

	Business-type Activities Parking Enterprise Fund	Governmental Activities Internal Service Funds
Operating revenues		
Charges for services	\$ -	\$ 4,517,700
Other revenue	-	1,031,753
Total operating revenues	<u>-</u>	<u>5,549,453</u>
Operating expenses		
Insurance	-	3,928,125
Operating and Maintenance Costs	(364,654)	-
Workers' Compensation	-	389,369
Employee sick & vacation pay	-	(722)
Depreciation	554,716	-
Total operating expenses	<u>190,062</u>	<u>4,316,772</u>
Net operating income (loss)	<u>(190,062)</u>	<u>1,232,681</u>
Nonoperating revenues (expenses):		
Investment income (loss)	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>
Change in net position	(190,062)	1,232,681
Net position, beginning of year	<u>9,800,273</u>	<u>2,534,424</u>
Net position, end of year	<u>\$ 9,610,211</u>	<u>\$ 3,767,105</u>

The accompanying notes are an integral part of the financial statements.

**City of Pontiac
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024**

	Business-type Activities Parking Enterprise Fund	Governmental Activities Internal Service Funds
Cash flows provided by (used in) operating activities		
Cash provided by operations	\$ (10,099)	\$ -
Cash payments to suppliers for goods and services	-	(5,199,370)
Cash received from interfund services	-	5,660,070
Net cash provided by (used in) operating activities	<u>(10,099)</u>	<u>460,700</u>
Cash flows from investing activities		
Investment income	-	-
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	-	-
Net cash (used) for capital and related financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and investments	(10,099)	460,700
Cash and investments, beginning of year	<u>375,003</u>	<u>2,448,206</u>
Cash and investments, end of year	<u>\$ 364,904</u>	<u>\$ 2,908,906</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (190,062)	\$ 1,232,681
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation & Amortization expense	554,716	-
Changes in assets and liabilities:		
Accounts receivable, net	-	831,589
Prepays	-	(116,271)
Net pension asset	(276,193)	-
Accounts payable	(10,099)	8,418
Accrued liabilities	-	94,980
Total other postemployment benefit liability	(37,969)	-
Due to other funds	-	(1,900,756)
Interfund payable	-	-
Accrued compensated absences	-	310,059
Deferred inflows of resources related to the pension asset	(50,492)	-
Net cash provided (used) by operating activities	<u>\$ (10,099)</u>	<u>\$ 460,700</u>

The accompanying notes are an integral part of the financial statements.

**City of Pontiac
Statement of Net Position
Fiduciary Funds
June 30, 2024**

	Pension & OPEB Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ 16,292,377	\$ 147,472
Investments at fair value or net asset value:	-	-
U.S. government securities	8,777,260	-
Common stocks	294,795,235	-
Corporate bonds	24,499,606	-
Mutual funds	25,908,345	-
Money market funds	2,113,186	-
Government bonds	29,290,832	-
Municipal and provincial bonds	31,789,284	-
Government agency notes	10,632,606	-
U.S. government mortgage-backed securities	24,130,073	-
U.S. collateralized mortgage obligations	4,700,007	-
Residential and other asset-backed securities	5,741,591	-
Collateralized mortgage obligations	1,592,667	-
Short-term investments	19,461,549	-
International equities	13,563,390	-
Private equity funds	83,511,821	-
Commingled funds:		
Domestic	39,063,175	-
International	15,577,828	-
Real estate funds	50,367,122	-
Registered investment companies	37,530,627	-
Collective trust funds	-	-
Limited partnerships	26,321,379	-
Accrued interest receivable	1,403,721	-
Other receivables	-	-
Due from Police and Fire Retirement System VEBA	-	-
Accounts receivable	-	27,161
Total Assets	767,063,681	174,633
Liabilities		
Accounts payable and other	3,084,895	102,922
Due to City of Pontiac	-	-
Due to City of Pontiac Police and Fire Retirement System	-	-
Due to City of Pontiac VEBA Trust	-	-
Deposits payable	-	71,711
Total Liabilities	3,084,895	174,633
Net Position Restricted For		
Pension benefits	651,562,337	-
Other postemployment benefits	112,416,449	-
Total net position	\$ 763,978,786	\$ -

The accompanying notes are an integral part of the financial statements.

**City of Pontiac
Statement of Change in Net Position
Fiduciary Funds
June 30, 2024**

	Pension & OPEB Trust Funds	Custodial Funds
Additions		
Investment income:		
Net increase (decrease) in fair value of investments	\$ 61,365,788	\$ -
Interest and dividends	11,768,957	-
Less: investment related expenses	(2,633,676)	-
Net investment income	70,501,069	-
Contributions - Employer	3,819,003	-
Taxes collected for other governments	-	35,977,080
Court collections	-	1,164,225
Plan-to-plan resource movement	66,633	-
Miscellaneous and litigation revenue	15,130	-
Total Additions	74,401,835	37,141,305
Deductions		
Participant benefit payments	45,527,287	-
Administrative expenses	1,810,950	-
Transfers to City of Pontiac	-	-
Payments of taxes to other governments	-	35,977,080
Insurance premiums	41,920,926	-
Opt out benefit payments	20,000	-
Plan-to-plan resource movement	66,556	-
Court distributions	-	1,164,225
Total Deductions	89,345,719	37,141,305
Change in Net Position	(14,943,884)	-
Net Position, Beginning of Year	778,922,670	-
Net Position, End of Year	\$ 763,978,786	\$ -

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Combining Statement of Net Position
Discretely Presented Component Units
June 30, 2024

	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Totals
Assets			
Cash and investments	\$ 728,252	\$ 370,547	\$ 1,098,799
Receivables, net	-	-	-
Total Assets	<u>728,252</u>	<u>370,547</u>	<u>1,098,799</u>
Deferred Outflows of Resources			
Deferred charge on refunding	<u>298,496</u>	<u>-</u>	<u>298,496</u>
Liabilities			
Accounts payable and accrued liabilities	88,131	18,655	106,786
Long-term liabilities			
Due within one year	1,520,000	-	1,520,000
Due in more than one year	9,830,000	-	9,830,000
Financial guarantee	<u>7,293,668</u>	<u>-</u>	<u>7,293,668</u>
Total Liabilities	<u>18,731,799</u>	<u>18,655</u>	<u>18,750,454</u>
Net Position			
Unrestricted (Deficit)	<u>\$ (17,705,051)</u>	<u>\$ 351,892</u>	<u>\$ (17,353,159)</u>

The accompanying notes are an integral part of the financial statements.

City of Pontiac
Combining Statement of Activities
Discretely Presented Component Units
For the Year Ended June 30, 2024

	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Totals
Expenses			
Financial guarantee	\$ -	\$ -	\$ -
Commercial and industrial development	-	100,330	100,330
Interest on long-term debt	<u>633,516</u>	<u>-</u>	<u>633,516</u>
Total Expenses	<u>633,516</u>	<u>100,330</u>	<u>733,846</u>
Program Revenues			
Charges for Services	70,000	-	70,000
Operating Grants and Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Total Program Revenues	<u>70,000</u>	<u>-</u>	<u>70,000</u>
Net Program Expense	<u>(563,516)</u>	<u>(100,330)</u>	<u>(663,846)</u>
General Revenues			
Property Taxes	2,393,918	152,243	2,546,161
Unrestricted State Revenues	<u>334,557</u>	<u>-</u>	<u>334,557</u>
Total General Revenues	<u>2,728,475</u>	<u>152,243</u>	<u>2,880,718</u>
Change in Net Position	<u>2,164,959</u>	<u>51,913</u>	<u>2,216,872</u>
Net Position (Deficit), Beginning of Year	<u>(19,870,010)</u>	<u>299,979</u>	<u>(19,570,031)</u>
Net Position (Deficit), End of Year	<u>\$ (17,705,051)</u>	<u>\$ 351,892</u>	<u>\$ (17,353,159)</u>

The accompanying notes are an integral part of the financial statements.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Pontiac, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

Reporting Entity

The City was incorporated on March 15, 1861 and operates under a council-strong mayor form of government. The City directly manages and staffs treasury, city clerk, human resources, finance, executive offices, purchasing operations, and parts of DPW operations while other major functions and responsibilities of the City have been subcontracted with other government agencies or private service providers. The component units discussed below are included in the City's financial reporting entity because of the significance of their operational or financial relationships with the City. In accordance with generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. The criteria established by the GASB (Governmental Accounting Standards Board) for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included.

Discretely Presented Component Unit

The Tax Increment Financing Authority (TIFA) was created to promote economic growth and business development within the community. The TIFA's governing body consists of not less than seven or more than 13 persons appointed by the mayor, subject to the approval of the City Council. A member shall hold office until the member's successor is appointed. An appointment to fill a vacancy shall be made by the mayor for the unexpired term only. Internally prepared financial statements for the TIFA can be obtained from the City finance department at 47450 Woodward, Pontiac, Michigan 48342.

The Brownfield Redevelopment Authority was created to remediate contaminated properties located within the City and to promote economic growth for these properties using captured property taxes. The properties included are listed as contaminated by the Environmental Protection Agency. Each authority shall be under the supervision and control of a board chosen by the governing body (City Council). The governing body may by majority vote designate the trustees of the board of the Tax Increment Financing Authority as the Brownfield Redevelopment Board, which City Council did by resolution on December 18, 1997. Internally prepared financial statements for the Brownfield Redevelopment Authority can be obtained from the City finance department at 47450 Woodward, Pontiac, Michigan 48342.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

Fiduciary Component Units

The following pension and other postemployment benefit plans are legally separate from the City and are included as fiduciary component units either because the City is financially accountable (RGERS and VEBA TRUST) or because it would be misleading to exclude the plans (PFRS and PFVEBA). Since these component units are fiduciary in nature, they are included only in the fund financial statements and are excluded from the government-wide financial statements.

The *General City Employees' Retirement System* (GERS) - In March 2021, the Internal Revenue Service approved the City's request to terminate the GERS and establish a new plan, the RGERS. All participants in the GERS were transferred to RGERS and there are no participants in the GERS as of December 31, 2022.

The *Reestablished General City Employees' Retirement System* (RGERS) (the System) is a single employer defined benefit pension plan that covers substantially all employees of the City, except police and fire employees. The system provides retirement benefits, as well as death and disability benefits.

The *Police and Fire Retirement System* (PFRS) is a single employer defined benefit pension plan that covers all police and fire employees of the City. PFRS provides retirement benefits, as well as death and disability benefits.

The *City of Pontiac VEBA Trust* (VEBA TRUST) was established as an irrevocable group health and insurance trust fund for health, optical, and dental insurance benefits for retirees and vested deferred retirees, and their eligible spouses and dependents, who were eligible for health insurance coverage from the City as of December 22, 2011.

The *Police and Fire Retirement System VEBA* (PFVEBA) was established as an irrevocable prefunded group health and insurance trust fund for health, optical, dental, and life insurance benefits for retirees who are members of the Police and Fire Retirement System of the City, and who retired on or after August 22, 1996.

All funds are shown for the year ended December 31, 2023.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these financial statements. *Governmental activities*, normally supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary funds, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Funds Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, some taxes and amounts due from other governments will be collected after the period of availability; receivables have been recorded for these, along with an "unavailable revenue" deferred inflows of resources.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *major streets special revenue fund* receives allocations of State collected gasoline taxes and license fees to be used for the maintenance, repair, and construction of streets and bridges within the City.

The *Progress for Pontiac special revenue fund* accounts for the City's revenue and expenditures for the American Rescue Plan Act (ARPA) funds and related activities. The ARPA funds provide additional relief to address the continued impact of the COVID-19 pandemic.

The *VEBA retiree healthcare opt out special revenue fund* accounts for funding received from the general employees' retirement system to make payments to eligible retirees who choose to permanently opt out of healthcare benefits.

The City reports the following major proprietary fund:

Parking enterprise fund. The parking fund accounts for the activities of City-owned parking structures and lots. Funding was provided mostly through user charges in prior years. The City is currently rehabilitating the parking structure, so there were no user fees in the current year.

Additionally, the City reports the following fund types:

Special revenue funds. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital project funds. Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Internal service funds. Internal service funds account for risk management services and insurance benefits provided to other departments of the City on a cost-reimbursement basis and accrued sick and vacation time.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

Pension and OPEB trust funds. The pension and other postemployment benefits trust funds accounts for the activities of the General Employees' Retirement System, Reestablished Employees' Retirement System, Police and Fire Retirement System, VEBA Trust, and the Police and Fire Retirement System VEBA, which accumulates resources for pension and other postemployment benefit payments to qualified employees.

Custodial funds. The custodial funds account for assets held by the City in a custodial capacity for other governments and entities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and unassigned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31 and are payable in two installments. Summer taxes are considered delinquent on September 1, at which time penalties and interest are assessed. Winter taxes are considered delinquent on February 15 of the following year, at which time a 3 percent penalty is assessed. Summer and winter taxes (including any penalty and interest) are turned over to Oakland County for collection.

The City 2023 tax is levied and collectible on July 1, 2023 and is recognized as revenue in the year ended June 30, 2024, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2023 taxable valuation of the City totaled approximately \$1,194 million (a portion of which is abated and a portion of which is captured by the TIFA and Brownfield), on which taxes levied consisted of 10.9132 mills for operating purposes, 2.7281 mills for refuse collection and disposal, 1.3639 mills for capital improvement, 1.4519 mills for youth recreation, and 0.4839

City of Pontiac, Michigan
Notes to Financial Statements
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mills for senior activities. This resulted in \$13.26 million for operating, \$3.05 million for refuse collection and disposal, \$1.53 million for capital improvement, \$1.63 million for youth recreation, and \$0.54 million for senior activities. These amounts are recognized in the respective general fund, special revenue funds, and capital projects fund financial statements as property tax revenue.

Assets, Deferred Outflows of Resources, Liabilities, and Equity

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average method.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter fund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Cash

The City has set cash aside for the future closure and post-closure care for the landfill. These assets have been classified as restricted assets in the sanitation fund. Funds received related to the American Rescue Plan Act ("ARPA") are also classified as restricted assets in the Progress for Pontiac fund.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$50,000 for buildings and building improvements, \$25,000 for land improvements, \$20,000 for vehicles, and \$10,000 for all other assets when valued individually and have an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

Buildings, land improvements, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Streets and bridges	20-50
Land improvements	10-45
Building and improvements	5-50
Machinery and equipment	5-20
Vehicles	6
Furniture and fixtures	5-10
Water and sewer systems	25-100
Street and traffic signs	10

Leases

Lessee. The City is a lessee for a noncancellable lease of a building. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$10,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3)

City of Pontiac, Michigan
Notes to Financial Statements
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(Continued)

lease payments. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor. The City is a lessor for a noncancellable lease of land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for its pension plans as well as for the deferred charge on refunding. A deferred refunding charge results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

City of Pontiac, Michigan
Notes to Financial Statements
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(Continued)

Unearned Revenue

Unearned revenue consists of amounts received prior to the delivery of goods/services or expenditures of allowable costs.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end. The City funded the liability in the sick and vacation internal service fund through contributions from the general fund and court fund in the prior year.

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources for its pension and other postemployment benefit plans. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting, that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred inflows of resources related to leases. These amounts are deferred and amortized over the remaining life of the lease.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefit assets/liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances

Governmental funds report non-spendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A resolution by the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the Finance Department. Unassigned fund balance is the residual classification for the general fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

New and Upcoming Accounting Standards

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*. This standard clarifies the presentation and disclosure requirements for prior period adjustments to beginning net position. The provisions

City of Pontiac, Michigan
Notes to Financial Statements
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(Continued)

of this standard are effective for the City's financial statements for the year ending June 30, 2024. The City has evaluated the impact of the new standard and concluded that the City does not have any prior period adjustments to beginning net position.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*. This standard revises the liability governments record for compensated absences payable to include any sick, vacation, personal time, or other PTO reasonably expected to be used by employees or paid out to them at termination. The City is currently evaluating the impact this standard will have on the financial statements for the year ending June 30, 2025.

In December 2023, the Governmental Accounting Standards Board issued GASB Statement No. 102 ("GASB 102"), *Certain Risk Disclosures*. This Statement requires the reporting entity to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in the notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The City is currently evaluating the impact this standard will have on the financial statements for the year ending June 30, 2025.

In April 2024, the Governmental Accounting Standards Board issued GASB Statement No. 103 ("GASB 103"), *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. The City accounts for construction code activity in the building inspection special revenue fund.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds.

Budget requests are reviewed by the budget department, finance department and executive office. The final budget is adopted by June 30 each year. City Council adopted the final budget for the June 30, 2024 year end.

City officials responsible for the expenditures authorized in the budget may expend City funds up to, but not to exceed, the total appropriated amount authorized for each function.

All annual appropriations lapse at year end except those approved for carryforward through encumbrances. Encumbrances (e.g., purchase orders, contracts) do not constitute expenditures or liabilities because the goods and services have not been received as of year-end. The commitments will be reappropriated and honored during the subsequent year.

During the year ended June 30, 2024, the City did not incur any expenditures in excess of the amounts appropriated in the General Fund budget.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

3. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposits and investment balances for the primary government and the component units of as June 30, 2024:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Statement of net position			
Cash and investments	\$ 95,451,208	\$ 1,098,799	\$ 96,550,007
Restricted assets	28,804,412	-	28,804,412
Statement of fiduciary net position			
Cash and cash equivalents	16,292,377	-	16,292,377
Investments	<u>749,367,583</u>	<u>-</u>	<u>749,367,583</u>
Total	<u>\$ 889,915,580</u>	<u>\$ 1,098,799</u>	<u>\$891,014,379</u>
Bank deposits (demand accounts and certificates of deposit due within one year)			\$ 119,431,824
Investments in securities, mutual funds and similar vehicles:			
Money Markets			5,920,095
General Employee's Retirement System			57,014,922
Reestablished General Employee's Retirement System			397,172,026
Police and Fire Retirement System			198,917,820
VEBA Trust			112,555,192
Police and Fire Retirement System VEBA			-
Cash on hand			<u>2,500</u>
			<u>\$891,014,379</u>

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the State of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension and other postemployment benefit fiduciary component units are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City and the pension and other postemployment benefit fiduciary component units' cash and investments are subject to several types of risk, which are examined in more detail below. The following information includes the General Employees' Retirement System, Reestablished General Employees' Retirement System, Police and Fire Retirement System, City of Pontiac VEBA Trust and Police and Fire Retirement System VEBA balances as of December 31, 2023 because these funds are maintained on a calendar year basis.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned.

City - State law does not require, and the City does not have a deposit policy for custodial credit risk. At year end, the City had \$114,782,586 of bank deposits (certificates of deposit, checking, and savings accounts) of which \$1,500,000 was covered by federal deposit insurance and \$2,415,175 was collateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

General Employees' Retirement system and Reestablished General Employees' Retirement System - The GERS and RERS don't have a deposit policy for custodial credit risk. At year end, the GERS and RERS had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The GERS and RERS continue to evaluate each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Police and Fire Retirement System - The PFRS does not have a deposit policy for custodial credit risk. At year end, the PFRS had \$8,770,013 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The PFRS believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the PFRS evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Pontiac VEBA Trust - The VEBA TRUST does not have a deposit policy for custodial credit risk. At year end, the VEBA TRUST had \$7,008,040 (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized.

City of Pontiac, Michigan
Notes to Financial Statements
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(Continued)

Police and Fire Retirement System VEBA - At year end, the Trust does not have any cash.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

City - The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2024, none of the City's investments were exposed to risk since the securities are held in the City's name by the counterparty.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates.

City - The City's investment policy states that no more than 25 percent of the portfolio be invested beyond 12 months, and the weighted average maturity of the portfolio shall never exceed one year. The total portfolio, including cash, is in compliance with the City's policy.

General Employees' Retirement System - The GERS's investment policy does not restrict investment maturities. At year end, maturities of the GERS's debt securities were as follows:

	Investment maturities (fair value by years)				
	Fair value	Less Than 1	1-5	6-10	More Than 10
Corporate bonds	\$ 729,063	\$ 149,157	\$ 579,906	\$ -	\$ -
Government bonds	4,447,411	-	2,022,731	2,424,680	-
Municipal and provincial bonds	8,869,768	1,197,615	7,141,641	530,512	-
Government agency notes	2,640,549	-	1,450,265	1,190,284	-
U.S. government mortgage-backed securities	396,033	404	8,262	229,803	157,564
Residential and other asset-backed securities	89,996	-	-	46,346	43,650
Collateralized mortgage obligations	9,689	-	-	-	9,689
Total	\$ 17,182,509	\$ 1,347,176	\$ 11,202,805	\$ 4,421,625	\$ 210,903

Reestablished General Employees' Retirement System - The RGERs's investment policy does not restrict investment maturities. At year end, maturities of the RGERs's debt securities were as follows:

City of Pontiac, Michigan
Notes to Financial Statements
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(Continued)

	Fair value	Investment maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
Corporate bonds	\$ 16,302,790	\$ 975,689	\$ 7,322,635	\$ 4,150,173	\$ 3,854,293
Government bonds	20,271,927	-	7,912,958	9,192,039	3,166,930
Municipal and provincial bonds	22,919,516	3,104,356	19,133,977	681,183	-
Government agency notes	7,992,057	-	4,931,328	3,060,729	-
U.S. government mortgage-backed securities	14,054,340	-	735	617,764	13,435,841
Residential and other asset-backed securities	5,339,416	-	876,976	104,033	4,358,407
Total	\$ 86,880,046	\$ 4,080,045	\$ 40,178,609	\$ 17,805,921	\$ 24,815,471

Police and Fire Retirement System - The PFRS's investment policy restricts the average duration of an actively managed portfolio to not differ from the benchmark duration by more than 25 percent. At year end, the average maturities of investments are as follows:

Investment	Fair value	Weighted Average Maturity (years)
U.S. Government mortgage-backed securities	\$ 9,169,083	26.97
U.S. Government securities	8,777,260	4.7
Corporate bonds	2,273,659	5.8

City of Pontiac VEBA Trust - The VEBA TRUST's investment policy does not restrict investment maturities. At year end, maturities of the VEBA TRUST's debt securities were as follows:

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

	Fair value	Investment maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. government obligations	\$ 4,571,494	\$ -	\$ 1,807,635	\$ 1,545,913	\$ 1,217,946
U.S. agency and mortgage-backed securities	510,617	-	510,617	-	-
U.S. collateralized mortgage obligations	4,700,007	-	-	-	4,700,007
Corporate bonds and notes	5,194,094	197,696	1,978,741	1,592,623	1,425,034
Corporate asset-backed securities	312,179	-	312,179	-	-
Collateralized mortgage obligations	1,582,978	-	-	-	1,582,978
Total	\$ 16,871,369	\$ 197,696	\$ 4,609,172	\$ 3,138,536	\$ 8,925,965

Police and Fire Retirement System VEBA - The PFVEBA's investment policy does not restrict investment maturities. At year end, the Trust does not have any investments with maturity dates.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

City - The City has no investment policy that would further limit its investment choices. As of year-end, the credit quality rating of debt securities and money market funds are as follows:

Investment	Fair Value	Rating	Rating Organization
Oakland County LGIP	\$ -	Not rated	n/a

General Employees' Retirement System and Reestablished General Employees' Retirement System - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The System's investment policy limits investments in domestic fixed-income securities; the overall quality rating of each high-grade portfolio must be BBB or an equivalent rating; for domestic equity investments, the securities must be the equivalent of Standard & Poor's A1 or Moody's P-1. As of year-end, the credit quality ratings of debt securities are as follows:

City of Pontiac, Michigan
Notes to Financial Statements
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(Continued)

Investment	FAIR VALUE			
	GERS	RGERS	Rating	Rating Organization
Corporate bonds	\$ -	\$ 89,057	Aaa	Moody's
Corporate bonds	-	505,324	Aa	Moody's
Corporate bonds	147,057	7,216,688	A	Moody's
Corporate bonds	532,039	7,728,185	Baa	Moody's
Corporate bonds	49,967	763,536	Not rated	n/a
Government bonds	4,447,411	19,569,872	Aaa	Moody's
Government bonds	-	702,055	Aa	Moody's
Municipal & provincial bonds	793,832	2,320,499	Aaa	Moody's
Municipal & provincial bonds	4,038,486	10,838,079	Aa	Moody's
Municipal & provincial bonds	587,951	1,264,225	A	Moody's
Municipal & provincial bonds	3,449,499	8,496,713	Not rated	n/a
Government agency notes	2,640,549	7,992,057	Aaa	Moody's
U.S. government mortgage-backed securities	382,245	11,972,977	Aaa	Moody's
U.S. government mortgage-backed securities	13,788	2,081,363	Not rated	n/a
Residential and other asset-backed securities	43,650	214,901	Aa	Moody's
Residential and other asset-backed securities	-	1,441,992	A	Moody's
Residential and other asset-backed securities	46,346	104,033	Baa	Moody's
Residential and other asset-backed securities	-	3,578,490	Not rated	n/a
Collateralized mortgage obligations	9,689	-	A	Moody's
Short-term investments	6,611,613	9,751,701	Not rated	n/a
	\$23,794,122	\$96,631,747		

Police and Fire Retirement System - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The PFRS's investment policy limits investments rated in the top four major grades as determined by Standard & Poor's or Moody's. As of year-end, the credit quality rating of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 1,633,025	A	S&P
Corporate bonds	640,634	BBB	S&P

City of Pontiac VEBA Trust - The VEBA TRUST's investment policy places no restrictions greater than what is allowed under applicable statutes. As of year-end, the credit quality rating of debt securities are as follows:

City of Pontiac, Michigan
Notes to Financial Statements
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(Continued)

Investment	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 891,158	A1	Moody's
Corporate bonds	440,687	A2	Moody's
Corporate bonds	1,181,509	A3	Moody's
Corporate bonds	40,435	Aa2	Moody's
Corporate bonds	64,448	Aa3	Moody's
Corporate bonds	29,593	Aaa	Moody's
Corporate bonds	1,215,753	Baa1	Moody's
Corporate bonds	1,052,261	Baa2	Moody's
Corporate bonds	244,907	Baa3	Moody's
Corporate bonds	33,343	Not rated	n/a
Government bonds	4,291,547	Aaa	Moody's
Government bonds	279,947	Not rated	n/a
U.S. agency and mortgage-backed securities	510,617	Aaa	Moody's
U.S. collateralized mortgage obligations	4,700,007	Not rated	n/a
Corporate asset-backed securities	243,046	Aaa	Moody's
Corporate asset-backed securities	69,133	Not rated	n/a
Collateralized mortgage obligations	1,451,790	Aaa	Moody's
Collateralized mortgage obligations	131,188	Not rated	n/a
Money market funds	2,113,186	Aaa-mf	Moody's
	<u>\$ 18,984,555</u>		

Police and Fire Retirement System VEBA - The PFVEBA has no investment policy that would further limit its investment choices. At December 31, 2023, the Trust does not have any investments in debt securities.

Concentration of Credit Risk

City - The City's investment policy states that no more than 25 percent of the overall cash and investment portfolio may be invested in the securities of a single issuer, except for securities of the U.S. Treasury. At year end, there were no individual investments with a fair value that represented 25% or more of the City's investments.

General Employees' Retirement System - At year end, there were no individual investments with a fair value that represented 5% or more of the System's investments.

Reestablished General Employees' Retirement System - At year end, there were no individual investments with a fair value that represented 5% or more of the System's investments.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

Police and Fire Retirement System - At year end, there were no individual investments with a fair value that represented 5% or more of the System's investments.

City of Pontiac VEBA Trust - At year end, there were no individual investments with a fair value that represented 5% or more of the Trust's investments.

Police and Fire Retirement System VEBA - At year end, there were no individual investments with a fair value that represented 5% or more of the Trust's investments.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates.

City - The City does not have any securities subject to foreign currency risk.

Reestablished General Employees' Retirement System - The System restricts the amount of investments in foreign currency denominated investments to 10 percent of total pension system investments. At December 31, 2023, the only type of investments which were subject to foreign currency risk were international equities. The System's exposure to foreign currency risk in international securities as of December 31, 2023 is summarized as follows:

Country	Currency	Fair Value	Translation Gain (Loss)
Canada	Canadian dollar	\$ 593,551	\$ 12,946
Denmark	Danish krone	813,097	(6,603)
Europe	Euro	3,072,053	6,778
Japan	Japanese yen	652,178	(20,167)
Sweden	Swedish krona	666,748	(68,816)
Switzerland	Swiss franc	677,648	37,823
United Kingdom	British pound	1,893,829	5,578
		<u>\$ 8,369,104</u>	<u>\$ (32,461)</u>

For the year ended December 31, 2023, the System had a total foreign currency translation loss of \$32,461 related to international equities.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

Fair Value Measurements

City - The City categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the management's review of the type and substance of investments held by the City.

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment pools where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At the year ended June 30, 2024, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Oakland County LGIP	\$ -	\$ -	No restrictions	None

The Oakland County Local Government Investment Pool (LGIP) invests assets in a manner which will seek the highest investment return consistent with preservation of principal and meet the daily liquidity needs of participants. The Oakland County (LGIP) is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost.

General Employees' Retirement System - GERS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GERS had the following recurring fair value measurements as of December 31, 2023:

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

	Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total		
Investments at fair value								
Common stocks	\$	33,206,476	\$	-	\$	-	\$	33,206,476
Corporate bonds	-			729,063	-			729,063
Government bonds	-			4,447,411	-			4,447,411
Municipal and provincial bonds	-			8,869,768	-			8,869,768
Government agency notes	-			2,640,549	-			2,640,549
U.S. government mortgage-backed securities	-			396,033	-			396,033
Residential and other asset-backed securities	-			89,996	-			89,996
Collateralized mortgage obligations	-			9,689	-			9,689
Short-term investments		6,611,613		-				6,611,613
International equities		-		-				-
Total at fair value	\$	39,818,089	\$	17,182,509	\$	-	\$	57,000,598

Reestablished General Employees' Retirement System - The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System had the following recurring fair value measurements as of December 31, 2023:

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

	Quoted Prices in			
	Active Markets for	Significant Other	Significant	
	Identical Assets	Observable	Unobservable	
	(Level 1)	Inputs (Level 2)	Inputs (Level 3)	Total
Investments at fair value				
Common stocks	\$ 189,342,396	\$ -	\$ -	\$ 189,342,396
Corporate bonds	-	16,302,790	-	16,302,790
Government bonds	-	20,271,927	-	20,271,927
Municipal and provincial bonds	-	22,919,516	-	22,919,516
Government agency notes	-	7,992,057	-	7,992,057
U.S. government mortgage-backed securities	-	14,054,340	-	14,054,340
Residential and other asset-backed securities	-	5,339,416	-	5,339,416
Short-term investments	9,751,701	-	-	9,751,701
International equities	11,924,317	-	-	11,924,317
Private equity funds	-	-	20,047,394	20,047,394
Total at fair value	\$ 211,018,414	\$ 86,880,046	\$ 20,047,394	317,945,854
Investments measured at net asset value				
Commingled funds:				
Domestic				33,262,831
International				15,577,828
Real estate funds				30,385,513
Total investments at NAV				79,226,172
Total investments				\$ 397,172,026

The System holds shares or interests in investment assets for which the fair value of the investments is measured on a recurring basis using net asset value ("NAV") per share (or its equivalent) of the assets as a practical expedient. Investments in commingled funds consist of funds that invest primarily in domestic, international, and emerging markets publicly traded equities, as well as an investment in a limited partnership that invests in international publicly traded equities. Investments in real estate funds consist of partnerships and separate account insurance contracts that invest primarily in commercial real estate. The fair values of these investments have been estimated using the NAV per share of the System's ownership interest in partners' capital or of the investments.

Additional information as of December 31, 2023 about the nature and risk of the System's investments that calculate NAV per share as a practical expedient is as follows:

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

	Net Asset Value	Redemption Frequency, if Eligible	Redemption Notice Period
Commingled funds:			
Domestic	\$ 33,262,831	Daily/monthly	10 days
International	15,577,828	Daily/monthly	10 days
Real estate funds	30,385,513	Monthly/quarterly	10-180 days
	<u>\$ 79,226,172</u>		

There are no unfunded commitments to acquire additional units of these investments as of December 31, 2023.

Police and Fire Retirement System - PFRS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Trust had the following recurring fair value measurements as of December 31, 2023:

	Quoted Prices in				
	Active Markets for	Significant Other	Significant		
	Identical Assets	Observable Inputs	Unobservable		
	(Level 1)	(Level 2)	Inputs (Level 3)		Total
Investments at fair value					
U.S. government securities	\$ -	\$ 8,777,260	\$ -	\$	8,777,260
Common stocks	44,028,157	-	-		44,028,157
Corporate bonds	-	2,273,659	-		2,273,659
Mutual funds	25,908,345	-	-		25,908,345
Real estate funds	-	2,500,811	-		2,500,811
Limited partnerships	-	1,967,329	-		1,967,329
Short-term investment funds	3,098,235	-	-		3,098,235
U.S. government mortgage-backed securities	-	9,169,083	-		9,169,083
Total at fair value	\$ 73,034,737	\$ 24,688,142	\$ -		97,722,879
Investments measured at net asset value					
Private equity funds					50,340,080
Real estate funds					17,480,798
Limited partnerships					24,354,050
Total investments at NAV					92,174,928
Total investments				\$	189,897,807

Short-term investment funds, including cash and money market funds, common stocks and mutual funds are valued using Level 1 inputs at the quoted closing price reported on the active market on which the individual securities are traded.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

Corporate bonds are valued using Level 2 inputs based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

U.S. Government securities and U.S. Government mortgage-backed securities are valued using Level 2 inputs based on prices that have been evaluated by independent pricing services. Such evaluated prices may be determined by using inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The Trust invests in certain real estate funds and limited partnerships that are valued using Level 2 inputs based on the Retirement System's proportionate share of members' equity of the funds, which are measured at fair value at December 31, 2023.

The Trust did not have any investments valued based on Level 3 inputs.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity funds	\$ 50,340,080	\$ -	Monthly	Up to 5 days
Real estate funds	17,480,798	690,851	Quarterly	15 days
Limited partnership funds	24,354,050	5,541,195	Monthly	Up to 60 days
	<u>\$ 92,174,928</u>	<u>\$ 6,232,046</u>		

The private equity funds and collective trust funds includes investments in U.S. and non-U.S. publicly traded securities. The fair values of the investments in this fund have been estimated using net asset value per share of the investments.

The real estate funds include investments in funds whose objective is to acquire, develop, own, and operate a diversified portfolio of real estate investments. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

The limited partnership class includes investments predominantly in private debt. The fair values of the investments in these funds have been estimated using net asset value per share of the investments.

City of Pontiac VEBA Trust - The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Trust had the following recurring fair value measurements as of December 31, 2023:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments at fair value				
Money market funds	\$ 2,113,186	\$ -	\$ -	\$ 2,113,186
U.S. government obligations	-	4,571,494	-	4,571,494
U.S. agency and mortgage-backed securities	-	510,617	-	510,617
U.S. collateralized mortgage obligations	-	4,700,007	-	4,700,007
Corporate bonds and notes	-	5,194,094	-	5,194,094
Corporate asset-backed securities	-	312,179	-	312,179
Collateralized mortgage obligations	-	1,582,978	-	1,582,978
Common stocks	28,218,206	-	-	28,218,206
Foreign stocks	1,639,073	-	-	1,639,073
Registered investment companies	37,530,627	-	-	37,530,627
Total	<u>\$ 69,501,092</u>	<u>\$ 16,871,369</u>	<u>\$ -</u>	<u>\$ 86,372,461</u>
Investments measured at NAV				
Commingled funds				5,800,344
Private equity funds				13,124,347
Total investments at NAV				<u>18,924,691</u>
Total investments				<u>\$ 105,297,152</u>

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Additional information as of December 31, 2023 about the nature and risk of the Trust's investments that calculate NAV per share as a practical expedient is as follows:

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

	Net Asset Value	Redemption Frequency, if Eligible	Redemption Notice Period
Commingled funds	\$ 5,800,344	Daily/monthly	2-30 days
Private equity funds	13,124,347	Monthly/quarterly	10-90 days
	<u>\$ 18,924,691</u>		

Police and Fire Retirement System VEBA - The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Trust had the following recurring fair value measurements as of December 31, 2023:

	Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments at fair value						
Common stocks	\$ -	\$ -	\$ -			\$ -
Real estate investment trusts	-	-	-			-
Mutual funds	-	-	-			-
Short-term investments	-	-	-			-
Limited partnerships	-	-	-			-
Total at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>-</u>
Investments measured at net asset value						
Limited partnerships						-
Total investments						<u>\$ -</u>

The Trust holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At December 31, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Limited partnerships	\$ -	\$ -	Monthly	5 days

The limited partnership class includes investments predominantly in private debt. The fair values of the investments in these funds have been estimated using the net asset value per share of the investments.

4. RECEIVABLES & CONCENTRATION RISK

Receivables as of year-end for the City's governmental and business-type activities in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Not Expected to be Collected Within One Year
Taxes	\$ 29,820,518	\$ -	\$ -
Accounts	1,588,366	-	-
Intergovernmental	3,962,899	-	-
Leases	1,418,165	-	1,383,162
Interest receivable	246,883	-	-
Less allowance for doubtful accounts	<u>(23,883,562)</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 13,153,269</u>	<u>\$ -</u>	<u>\$ 1,383,162</u>

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 25,105,058	\$ -	\$ -	\$ 25,105,058
Construction in progress	3,059,981	2,616,952	(2,172,456)	3,504,477
Subtotal	<u>28,165,039</u>	<u>2,616,952</u>	<u>(2,172,456)</u>	<u>28,609,535</u>
Capital assets being depreciated				
Streets and bridges	322,588,600	2,537,064	1,787,566	326,913,230
Buildings and improvements	42,498,312	123,513	145,396	42,767,221
Machinery and equipment	2,201,395	132,436	212,187	2,546,018
Vehicles	1,044,566	321,150	-	1,365,716
Land improvements	421,949	137,810	-	559,759
Leased vehicles	-	271,309	-	271,309
Leased building	123,542	-	-	123,542
Subtotal	<u>368,878,364</u>	<u>3,523,282</u>	<u>2,145,149</u>	<u>374,546,795</u>
Less accumulated depreciation for:				
Streets and bridges	(263,865,950)	(5,937,342)	-	(269,803,292)
Buildings and improvements	(40,615,294)	(223,780)	-	(40,839,074)
Machinery and equipment	(871,963)	(246,486)	-	(1,118,449)
Vehicles	(1,011,600)	(67,671)	-	(1,079,271)
Land improvements	(261,452)	(27,166)	-	(288,618)
Leased vehicles	-	(41,189)	-	(41,189)
Leased building	(123,542)	-	-	(123,542)
Subtotal	<u>(306,749,801)</u>	<u>(6,543,634)</u>	<u>-</u>	<u>(313,293,435)</u>
Net capital assets being depreciated	<u>62,128,563</u>			<u>61,253,360</u>
Capital assets-net of depreciation	<u>\$ 90,293,602</u>			<u>\$ 89,862,895</u>

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities				
Parking fund				
Capital assets not being depreciated:				
Land	\$ 3,042,537	\$ -	\$ -	\$ 3,042,537
Construction in progress	-	-	-	-
	<u>3,042,537</u>	<u>-</u>	<u>-</u>	<u>3,042,537</u>
Capital assets being depreciated:				
Buildings and improvements	34,342,893	-	-	34,342,893
Traffic Signs	57,182	-	-	57,182
	<u>34,400,075</u>	<u>-</u>	<u>-</u>	<u>34,400,075</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	(29,611,347)	(554,716)	-	(30,166,063)
Traffic signs	(57,182)	-	-	(57,182)
	<u>(29,668,529)</u>	<u>(554,716)</u>	<u>-</u>	<u>(30,223,245)</u>
Total capital assets being depreciated and amortized, net	<u>4,731,546</u>			<u>4,176,830</u>
Business-type activities capital assets, net	<u>\$ 7,774,083</u>			<u>\$ 7,219,367</u>

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Depreciation/amortization of governmental activities	
General Government	\$ 374,054
Public Safety	56,249
Public Works	6,087,392
Community and human services	8,583
Recreation and culture	17,356
Total governmental activities depreciation expense	<u>\$ 6,543,634</u>
Depreciation of business-type activities	
Parking	<u>\$ 554,716</u>

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

Construction Commitments - At year end, the City's commitments with contractors are:

	Spent to Date	Remaining Commitment
Governmental activities	\$ 137,810	\$ 30,485
Business-type activities	-	-
	<u>\$ 137,810</u>	<u>\$ 30,485</u>

6. LEASES

Lessee - The City is involved in one building agreement and nine vehicle agreements as a lessee that qualifies as a long-term lease agreement. Below is a summary of the nature of this agreement. This agreement qualifies as an intangible, right-to-use asset and not a financed purchase, as the City will not own the asset at the end of the contract term and the noncancelable term of the agreement surpasses one year.

Asset Type	Remaining Term of Agreements
Building	0 Years (Lease ended in 2023)
Vehicle #1	5 Years (Lease ends in 2029)
Vehicle #2	5 Years (Lease ends in 2029)
Vehicle #3	5 Years (Lease ends in 2029)
Vehicle #4	5 Years (Lease ends in 2029)
Vehicle #5	5 Years (Lease ends in 2029)
Vehicle #6	5 Years (Lease ends in 2029)
Vehicle #7	5 Years (Lease ends in 2029)
Vehicle #8	5 Years (Lease ends in 2029)
Vehicle #9	5 Years (Lease ends in 2029)

The assets acquired through the lease are summarized as follows:

	Building	Vehicles
Cost Basis	\$ 123,542	\$ 271,309
Accumulated Amortization	(123,542)	(41,189)
Net Book Value	<u>\$ -</u>	<u>\$ 230,120</u>

Lease liability activity for the year ended June 30, 2024, was as follows:

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Leases payable	\$ -	\$ 271,309	\$ (71,544)	\$ 199,765	\$ 43,321

Lessor - The City is involved in an agreement as a lessor that qualifies as a long-term lease agreement. Below is a summary of this agreement. This agreement qualifies as long-term lease agreement as the City will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the year ended June 30, 2024 was \$38,573.

Asset Type	Remaining Term of Agreements
Land	27 years

Lease receivable activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental Activities				
Leases receivable	\$ 1,451,899	\$ -	\$ (33,734)	\$ 1,418,165

7. INTERFUND TRANSFERS

At June 30, 2024, the composition of interfund balances is as follows:

Fund	Due from Other Funds	Fund	Due to Other Funds
General fund	\$ 4,213,592	General fund	\$ 1,693,921
District court fund	1,693,921	District court fund	-
Insurance fund	-	Insurance fund	4,213,592
	<u>\$ 5,907,513</u>		<u>\$ 5,907,513</u>

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

For the year ended June 30, 2024, interfund transfers reported in the fund financial statements are comprised of the following:

	Transfers In	Transfers Out
General fund	\$ 640,025	\$ 3,454,883
Nonmajor governmental funds	2,856,244	41,386
	<u>\$ 3,496,269</u>	<u>\$ 3,496,269</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move funds to the district court fund for the subsidy of operations, and (3) transfer parking fine collections; and (4) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

8. LONG-TERM DEBT

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Other long-term obligations:					
2007C TIFA Bond					
Financial Guarantee	\$ 702,648	\$ -	\$ -	\$ 702,648	\$ -
Landfill closure and postclosure costs	2,324,131	281,005	-	2,605,136	-
Ottawa Towers settlement	4,972,467	-	(4,972,467)	-	-
Compensated Absences	821,234	515,368	(205,309)	1,131,293	848,470
Total Governmental Activities	<u>\$ 8,820,480</u>	<u>\$ 796,373</u>	<u>\$ (5,177,776)</u>	<u>\$ 4,439,077</u>	<u>\$ 848,470</u>

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Units					
Direct borrowings and direct placements:					
\$31,080,000 2007 C TIFA	\$ 13,065,000	\$ -	\$ (1,715,000)	\$ 11,350,000	\$ 1,520,000
Other long-term obligation- Financial guarantee	7,293,668	-	-	7,293,668	-
Total component units	<u>\$ 20,358,668</u>	<u>\$ -</u>	<u>\$ (1,715,000)</u>	<u>\$ 18,643,668</u>	<u>\$ 1,520,000</u>

Annual debt service requirements to maturity for the obligations are as follows:

	Component Units	
	Direct Borrowings and Direct Placements	
	Principal	Interest
2025	\$ 1,520,000	\$ 522,988
2026	1,630,000	450,788
2027	1,745,000	373,363
2028	1,565,000	290,475
2029	1,570,000	220,050
Thereafter	3,320,000	223,425
	<u>\$ 11,350,000</u>	<u>\$ 2,081,089</u>

Compensated absences and separation accruals in governmental activities of \$1,131,293 are payable upon retirement or termination of eligible employees; therefore, specific payment dates are not determinable. Also, the landfill closure and post closure cost accrual of \$2,605,136 has no fixed maturity dates; therefore, it has been excluded from the above summary.

The compensated absences liability attributable to the governmental activities is recorded in the employee sick and vacation internal service fund. The landfill closure and post closure costs represent the cumulative amount of closure and post closure are costs reported to date based on the use of 100 percent of the estimated capacity of the landfill. The City has established a sick and vacation internal service fund for the liquidation of the compensated absences liability. The sanitation fund would be used to liquidate the landfill closure and post closure costs.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

Financial Guarantee

In 2007, the City guaranteed the 10-year, \$1.315 million TIFA 2 2007C series, the 17-year, \$3.28 million TIFA 2 2007C series, and the 24-year, \$24.45 million TIFA 3 2007C series revenue bond issuances of the Tax Increment Finance Authority (TIFA), a legally separate authority located within the City, in accordance with a resolution adopted by the City. The bonds mature annually through May 1, 2017, May 1, 2024, and May 1, 2031, respectively, with semiannual interest payments. In the event that the TIFA is unable to make a payment, the City is required to make that payment. As a result of declining revenues that occurred in 2014 and prior, the City determined in fiscal year 2014 that it was more likely than not that the City would be required to pay a percentage of the remaining portion of the TIFA's debt service payments based on this guarantee. During fiscal year 2024, total TIFA debt service amounted to \$2,319,450 of which \$0 was paid by the City and \$2,319,450 was paid by the TIFA. The amount of the remaining financial guarantee liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

The agreement also provides for the TIFA to reimburse the City for any debt service amounts paid for by the City. Accordingly, the TIFA has a liability recorded in the amount of \$7,293,668 at June 30, 2024. This liability has been recorded as a long-term liability in the combining statement of net position for the discretely presented component units as funds to reimburse the general fund are not expected to be available until all TIFA debt service has been paid in full.

Phoenix Center and Ottawa Towers

In November 2018, the City settled litigation with Ottawa Towers regarding demolition of the Phoenix Center Parking Garage. The settlement required the City retain ownership of the Phoenix Center and perform \$6 million of repairs on the Phoenix Center over a period of ten years from the time of settlement. Additionally, the City was required to pay annual installments of \$700,000 to Ottawa Towers through November 2022. The City entered into an agreement in November 2020 to satisfy the requirements of the November 2018 settlement.

The public/private purchase agreement states the Ottawa Towers property would be purchased by a developer and the City would retain ownership of the Phoenix Center Parking garage. The final settlement amount due to the owner of Ottawa Towers was \$19,200,000. The private developer paid \$6,600,000 for the purchase of the Towers, and the City paid a total of \$12.6 million, which consisted of \$7,000,000 in cash and a promissory note for \$5.6 million. The final purchase was executed in January 2021. As a result of the new agreement, the remaining \$1.4 million of settlement payments from the original settlement were forgiven, and the City obtained a promissory note in the amount of \$5.6 million, which is reflected in long-term debt in the current year. The details of the purchase, sale, and related financing of the Ottawa Towers and Phoenix Center Garage agreement are outlined below.

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The promissory note between the City and the seller of Ottawa Towers was entered into in February 2021 for the principal sum of \$5,600,000. The principal balance of the Note shall bear an annual interest rate of 5.90% per year while not in default. The Note is secured by an irrevocable, standby, sight-draft letter of credit, issued by PNC Bank, an FDIC insured bank, in the face amount of \$5,600,000, naming the payee as beneficiary. The City and payee anticipate the letter of credit amount will increase on the one-year anniversary of this Note to account for the planned accrual of the first year's interest.

Interest accrued on the principal balance until the first anniversary of this Note, at which time all then accrued interest of \$330,400 was added to the principal balance of the Note bringing the principal balance on February 4, 2022, to \$5,930,400. On February 4, 2022, and on the 4th day of the month thereafter, principal and interest payments shall be due and payable in equal monthly installments over seven years in the amount of \$81,540 until January 4, 2028, on which date the entire unpaid principal balance together and all accrued interest, if not paid sooner, and all other indebtedness shall become due and payable in full. During the year ended June 30, 2024, the entire outstanding principal balance and related accrued interest was paid off by the City.

Under the agreement, the City and a developer entered a Public-Private-Partnership (PPP) Agreement for the Phoenix Center. The Developer gains exclusive use of the parking structure to support the commercial demands of the Phoenix Center parking garage, but also allows for shared parking for the Property and for the Phoenix Plaza/Amphitheater when restored and opened for use. The developer agreed to make all necessary repairs to the Phoenix Center garage in exchange for the grant of perpetual access to and use all of the parking areas in the Phoenix Center. The terms of the PPP that grant access and control of the parking areas are contained in a 50-year term Master Agreement with five 10-year options to extend said agreement, at a rental rate of \$1.00 per year. The City maintains exclusive control of the roof and plaza of the Phoenix Center and shall at its own expense maintain, repair and exercise control of the roof and plaza of the Phoenix Center roof and its access elements. Any final development plan for the Property shall include input from the City, its Council, and officials.

9. RESTRICTED ASSETS

The balance of the restricted asset accounts are as follows:

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	Governmental Activities
Cash and investments:	
ARPA funds	\$ 26,389,237
Landfill closure and postclosure costs	2,415,175
	<u>\$ 28,804,412</u>

10. LANDFILL – CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and post closure care costs as an expense in the government-wide statements in each period based on the acres of the entire permitted site used as of each balance sheet date. The \$2,605,136 reported as landfill closure and post closure liability at June 30, 2024 represents the cumulative amount reported to date based on the closure and post closure costs related to the acres of the permitted site that have been used.

These amounts are based on what it would cost to perform all closure and post closure care in current dollars. Effective October 15, 2006, the City closed the landfill. The Michigan Department of Environment, Great Lakes and Energy is in the process of examining closure/post closure costs. On a volume basis versus site acreage basis, approximately 100 percent of landfill capacity is used as of June 30, 2024. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make contributions to a trust to finance closure and post closure care. The City is in compliance with these requirements and, at June 30, 2024, investments and deposits held in trust of \$2,415,175 are held for these purposes. These are reported as restricted assets on the balance sheet. The total fund balance in the sanitation special revenue fund has been restricted as well. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by future tax revenue.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to

City of Pontiac, Michigan
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employees. The City has purchased commercial insurance for medical and dental, workers' compensation, and general liability expense claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported.

For medical, dental and workers' compensation, the City was fully insured in the last three fiscal years. However, for prior years in which the City was not fully insured, a liability is estimated for workers' compensation claims that have been reported as well as those that have not yet been reported. As of June 30, 2024, reported claims related to medical and dental for prior years have been paid and no additional claims are expected to be reported.

These liabilities are recorded in internal service funds. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability		Workers' Compensation	
	2024	2023	2024	2023
Unpaid claims -				
Beginning of year	\$ 875,091	\$ 118,065	\$ 166,115	\$ 260,373
Incurred claims (adjustments)	1,227,960	1,347,900	4,561,421	4,832,672
Claim payments	(1,125,861)	(590,874)	(273,159)	(325,508)
Reserve in excess of self-insurance retention	-	-	(4,295,381)	(4,601,422)
Unpaid claims -				
End of year	<u>\$ 977,190</u>	<u>\$ 875,091</u>	<u>\$ 158,996</u>	<u>\$ 166,115</u>

12. DEFINED BENEFIT PENSION PLAN – REESTABLISHED GENERAL EMPLOYEES' RETIREMENT SYSTEM

Establishment of New Plans. In March 2021, the Internal Revenue Service ("IRS") approved the City's request to terminate the existing System, to establish a new plan, the City of Pontiac

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(Continued)

Reestablished General Employees' Retirement System (the "Reestablished System"), which will be 130 percent funded, and to transfer the excess assets to a newly created voluntary employees' beneficiary association ("VEBA"), the City of Pontiac VEBA Trust (the "VEBA Trust"), to provide funding for retiree health care. The Reestablished System will continue to provide the same level of benefits as the existing System. Transfers were made to the Reestablished System and the VEBA Trust in the first quarter of 2022, in compliance with the terms of the settlement agreement. There are no participants in the old GERS plan and all participants are transferred to the new RGRS plan.

Plan Description. The Reestablished General Employees' Retirement System is a single employer defined benefit pension plan that is administered by the City of Pontiac Reestablished General Employees' Retirement System; this plan covers substantially all employees of the City, except police and fire employees. The System provides retirement benefits, as well as death and disability benefits. Employees may receive a cost-of-living adjustment as a percentage of their base amount, pursuant to the collective bargaining agreement in effect at their date of retirement. The plan issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 47450 Woodward, Pontiac, Michigan 48342.

Method Used to Value Investments. Investments held by the System are reported at estimated fair value. Short-term investments are reported at cost, which approximates fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market value are reported at estimated fair value, as determined by the System's management. These estimates are determined using audited financial statements issued by the private equity companies or limited partnerships in which such investments are held, adjusted by management as deemed appropriate based on known circumstances.

There are inherent limitations in any estimation technique. Because of the inherent uncertainty of valuations, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Investment Policy. The System's policy in regard to the allocation of invested assets is established and may be amended by the board of trustees by a majority vote of its members. It is the policy of the board of trustees to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The System's investment policy discourages the use of cash equivalents, except for liquidity

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(Continued)

purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return. For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Benefits Provided. The System provides retirement benefits as well as death and disability benefits. Employees may receive cost-of-living adjustments as a percentage of their retirement allowance, pursuant to the collective bargaining agreement or employment agreement in effect at their date of retirement. The obligation to contribute to and maintain the System was established by City ordinance and negotiations with the employees' collective bargaining units.

Contributions. Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the board of trustees retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established by the board of trustees in accordance with the city ordinance, union contracts, and plan provisions. For the year ended December 31, 2023, the active members were not required to contribute to the System. The City is required to contribute at an actuarially determined rate. In accordance with the actuary recommendation, the City did not have to contribute to the System in the current year. Administrative costs are financed through investment earnings.

Employees Covered by Benefit Terms. On December 31, 2023, System membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	991
Inactive employees entitled to but not yet receiving benefits	87
Active employees	<u>14</u>
Total membership	<u>1,092</u>

The System is closed to all new hires after April 1, 2013, except for those new hires that are hired under the Michigan Association of Public Employees ("MAPE", representing the 50th District Court employees) collective bargaining agreement. In July 2022, MAPE approved a tentative agreement that would close the RGRS to all new hires, effective July 1, 2022.

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(Continued)

Reserves. In accordance with state law, the City establishes reserves for various purposes. The balance of the reserve accounts at December 31, 2023 are not available. The balances of the reserve accounts at December 31, 2022 are as follows:

<u>Reserve / Group</u>	<u>Balance</u>
Retiree reserve	\$ 260,262,979
Employee reserve	129,947

Net Pension Asset. The City's net pension asset was measured as of December 31, 2023.

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.0%
Salary increases	3.6% to 7.4% average, including wage inflation of 2.5%
Investment rate of return	6.0% net of investment expense, including inflation

Mortality assumptions were as follows:

Actives: The Pub-2010 Amount-weighted, General, Employee, Male and Female Tables, with future mortality improvements projected generationally to 2030 using scale MP-2019.

Healthy retirees: The Pub-2010 Amount-weighted, General, Healthy Retiree, Male and Female Tables, with future mortality improvements projected generationally to 2030 using scale MP-2019 with male and female rates scaled by 95 percent.

Disabled retirees: The Pub-2010 Amount-weighted, General, Disabled Retiree, Male and Female Tables, with future mortality improvements projected generationally to 2030 using scale MP-2019.

Long-term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic

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real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - All Cap	14.00%	8.74%
Domestic equity - Large Cap	10.00%	8.81%
Domestic equity - Mid Cap	15.00%	9.35%
Domestic equity - Small Cap	11.00%	8.08%
International equity	5.00%	5.42%
Emerging markets equity	5.00%	7.34%
Fixed income - Core	25.00%	0.77%
Real estate	10.00%	5.10%
Private equity	5.00%	13.57%
	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension (Assets) Liability

Changes in the Net Pension Asset. The components of the change in the net pension asset are summarized as follows:

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(Continued)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at December 31, 2022	\$ 251,459,094	\$ 382,236,834	\$ (130,777,740)
Changes for the year:			
Service cost	184,402	-	184,402
Interest	14,453,656	-	14,453,656
Differences between expected and actual experience	(2,284,077)	-	(2,284,077)
Changes in actuarial assumptions	-	-	-
Changes in benefit terms	392,210	-	392,210
Net investment income (loss)	-	36,077,268	(36,077,268)
Benefit payments, including refunds of employee contributions	(21,314,055)	(21,314,055)	-
Administrative expense	-	(947,180)	947,180
Plan-plan resource movement	-	-	-
Miscellaneous other charges/revenue	-	66,633	(66,633)
Net changes	<u>(8,567,864)</u>	<u>13,882,666</u>	<u>(22,450,530)</u>
Balance as of December 31, 2023	<u>\$ 242,891,230</u>	<u>\$ 396,119,500</u>	<u>\$ (153,228,270)</u>

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following presents the net pension asset of the City, calculated using the discount rate of 6.0%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1% lower (5.0%) or 1% higher (7.0%) than the current rate:

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
City's net pension asset	\$ (129,892,674)	\$ (153,228,270)	\$ (173,039,359)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is provided in Note 17.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the City recognized pension expense of (\$27,098,790). At June 30, 2024, the City reported deferred inflows of resources related to pensions from the following sources:

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	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ (1,217,407)
Total	\$ (1,217,407)

Amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2025	\$ (7,018,398)
2026	(975,964)
2027	9,538,734
2028	(2,761,779)
Total	<u>\$ (1,217,407)</u>

13. DEFINED BENEFIT PENSION PLAN – POLICE AND FIRE RETIREMENT SYSTEM

Plan Description. The Police and Fire Retirement System is a single employer defined benefit pension plan that is administered by the City of Pontiac Police and Fire Retirement System; this plan covers all police and fire employees of the City. The System provides retirement benefits, as well as death and disability benefits. Employees may receive a cost-of-living adjustment as a percentage of their base amount, pursuant to the collective bargaining agreement in effect at their date of retirement. The plan issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 47450 Woodward, Pontiac, Michigan 48342.

Partial Termination and Plan Closure. In 2011, a partial termination of the pension plan for police and fire employees was deemed to have occurred when the City contracted with the Oakland County sheriff for policing services. This resulted from the termination of active employee positions at the City under the executive orders issued by the Emergency Manager. As of March 1, 2012, the City contracted with Waterford Township to provide fire services and the plan no longer had any active employees. As a result, for purposes of computing the actuarial determined contribution to the System from the City, the actuary is expressing the

City of Pontiac, Michigan
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amount as a level dollar amount amortized on a closed basis, rather than as a level percent of payroll.

Method Used to Value Investments. Investments are reported at estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Securities not traded on a national or international exchange are based upon quoted prices for comparable instruments with similar yields and risk in active and inactive markets. Investments that do not have an established market value are valued at net asset value (NAV) as a practical expedient to estimate fair value.

Investment Policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return. For the year ended December 31, 2023, the annual money-weighted rate of return, net of expenses on the Retirement System's investments, was 11.15%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Benefits Provided. The Retirement System provides retirement, disability, and death benefits. Employees may receive cost of living adjustments as a percentage of their base amounts, pursuant to the collective bargaining agreement or employment agreement in effect at their date of retirement. The benefit terms and the obligation to contribute to and maintain the Retirement System were established by City ordinance and negotiation with the employees' collective bargaining units.

Contributions. State law requires public employers to make pension contributions in accordance with an actuarial valuation. The Retirement System hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to make pension contributions based on the city ordinance, union contracts, and plan provisions; however, given that the plan is now closed, there are no longer any active members of the plan. The Retirement System's required contribution is determined after consideration of the required contribution rate of employees. For the year ended December 31, 2023, the City's required contribution was \$3,819,003 and actual contributions were \$3,819,003. There were no contributions due from members during fiscal year 2023.

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Employees Covered by Benefit Terms. At December 31, 2023, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	433
Inactive employees entitled to but not yet receiving benefits	<u>96</u>
Total membership	<u>529</u>

Reserves. As of December 31, 2023, the Plan's legally required reserves have been fully funded as follows:

The *retiree reserve* is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The *employee reserve* is credited as employees make contributions; the Plan maintains a record of the amount contributed by each employee.

The balances of the reserve accounts (required and actual reserves) at December 31, 2023 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 236,829,871	\$ (198,870,715)
Employee reserve	1,123,397	1,123,397

Net Pension Liability. The City's net pension liability was measured as of December 31, 2023.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2023. The valuation used the following actuarial assumptions, applied to all periods included in the measurement (there are no assumptions related to inflation and salary increases as there was a partial termination and plan closure in 2011):

Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Cost of living adjustments	2.0%, per year up to 25 years

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(Continued)

As the plan is not large enough to have credible experience, the actuary has set the mortality assumptions to reflect general population trends. For healthy annuitants, the plan has utilized the Pub-S 2010 Mortality Table with generational improvements using scale MP-2020. For disabled annuitants, the plan is using the Pub-S 2010 Disabled Mortality with generational improvements using scale MP-2020.

Long-term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	44.00%	7.50%
International equity	12.00%	8.50%
Domestic bonds	20.00%	2.50%
International bonds	4.00%	3.50%
Real estate	10.00%	4.50%
Other assets	10.00%	6.01%
	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that City's contributions will be made at actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and deferred employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability. The components of the change in the net pension liability are summarized as follows:

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(Continued)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2022	\$ 243,211,632	\$ 198,500,351	\$ 44,711,281
Changes for the year:			
Interest	16,894,677	-	16,894,677
Differences between expected and actual experience	(2,913,219)	-	(2,913,219)
Employer contributions	-	3,819,003	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(20,363,219)	(20,363,219)	-
Net investment income (loss)	-	17,229,785	-
Administrative expense	-	(315,333)	315,333
Other	-	128	(128)
Net changes	<u>(6,381,761)</u>	<u>370,364</u>	<u>(6,752,125)</u>
Balance as of December 31, 2023	<u>\$ 236,829,871</u>	<u>\$ 198,870,715</u>	<u>\$ 37,959,156</u>

Changes in Assumptions. The mortality improvement scale has been updated from the MP-2020 fully generational scale to the MP-2021 fully generational scale.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's net pension liability	\$ 61,238,635	\$ 37,959,156	\$ 18,283,203

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is provided in Note 17.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2024, the City recognized pension expense of \$(261,994). At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources
Difference between projected and actual earnings on pension plan investments	<u>\$ 12,887,653</u>
Total	<u>\$ 12,887,653</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2025	\$ 2,871,612
2026	3,638,684
2027	7,067,289
2028	<u>(689,932)</u>
Total	<u>\$ 12,887,653</u>

For the governmental activities, the net pension liability is generally liquidated by the general fund.

14. DEFINED CONTRIBUTION PENSION PLAN

Defined Contribution Plan. Beginning January 1, 2002, the City began providing pension benefits to its full-time nonunion employees and elected officials through a 401(a) defined contribution plan. Nonunion employees and elected officials were given the option to participate in the defined contribution plan or the defined benefit plan. Effective July 1, 2005, SAEA members were also given the option to participate in the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council, the City contributes nine percent of the employees' gross earnings and employees are required to contribute three percent.

The City entered into a Defined Contribution Plan agreement with the Municipal Employees' Retirement System of Michigan (MERS). The Agreement is to provide retirement benefits effective August 1, 2015 for all full-time employees of the City and 50th District Court hired as full time after January 1, 2011 and not a member of GERS (currently RGERS). The

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Employer/Employee contribution are listed below. Vesting is immediate. Employer contributions for each employee plus interest allocated to the employees' account are immediately vested.

<u>Employee Contribution</u>	<u>Employer Contribution</u>
0.67%	0.33%
1.00%	0.50%
2.00%	1.00%
4.00%	2.00%
5.00%	2.50%
6.00%	3.00%
8.00%	4.00%
10.00%	5.00%
12.00%	6.00%
14.00%	7.00%

The City's total payroll during the current year was \$9,625,151. The current year's contribution was calculated based on covered payroll of \$4,724,452, resulting in employer contributions of \$171,032 and employee contributions of \$342,064. As of June 30, 2024, there were 71 plan participants in the City's Michigan Employee MERS defined contribution plan, and one employee participating in the City's 401A defined contribution plan.

Deferred Compensation Plan. The City offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457 to all its employees. The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

15. OTHER POSTEMPLOYMENT BENEFITS – VEBA TRUST

Plan Description. The City of Pontiac's VEBA post-retirement health benefits plan (Plan) is a single employer defined benefit postemployment health care plan that covers eligible retired employees and their spouses. The Plan allows employees who retire or become disabled and meet retirement eligibility requirements under the Plan to continue medical coverage as a participant in the plan. Eligible members are entitled to lifetime medical and prescription drug coverage. The Trust has received a favorable determination letter, dated August 10, 2020 and effective March 23, 2020, from the Internal Revenue Service that recognized the Trust as an entity that qualifies as a VEBA under sections 501(a) and 501(c)(9) of the Internal Revenue Code. The Trust issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the Trust at 700 Tower Drive, Suite 300, Troy, Michigan 48098.

Overall Fund Structure and Objectives. The Trust has been established to pay health care benefits to all eligible retirees of the City of Pontiac, Michigan. Any excess of contributions over benefits paid will allow for additional funding to increase investment income to a level

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where the Trust will generate adequate earnings to pay future benefits. The public markets represent the primary source of investment.

The Trust was created as a result of a Settlement Agreement reached in a lawsuit filed by the City of Pontiac Retired Employees Association against the City, which principally sought to restore retiree health care that had been reduced or eliminated by a series of Orders issued by the City's Emergency Manager in 2011. On April 4, 2017, the bargaining parties announced that a tentative settlement had been reached in the litigation with regard to retiree health care. The Settlement Agreement provides, among other stipulations, that a Trust would be created to provide retiree health care benefits for all eligible City retirees. The Trust is a voluntary employees' beneficiary association ("VEBA"). The Settlement Agreement also provided that the existing City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust (the "PF VEBA") would merge into the VEBA. The merger of PF VEBA is completed as of June 30, 2024.

Method Used to Value Investments. Investments are reported at estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sale price at current exchange rates. Securities not traded on a national or international exchange are based upon quoted prices for comparable instruments with similar yields and risk in active and inactive markets. Investments that do not have an established market value are valued at net asset value (NAV) as a practical expedient to estimate fair value.

Investment Policy. The investment policy statement regarding the allocation of invested assets is established and may be amended by the Board. The investment policy statement pursues an investment strategy that preserves and enhances the real purchasing power of the Trust's assets. The objective for all the investment assets is accomplished utilizing equities, fixed income investments, alternative investments, and cash equivalents in a mix which is conducive to participation in rising markets, while allowing for protection in falling markets.

Rate of Return. For the year ended December 31, 2023 the annual money-weighted rate of return on OPEB plan investments was 6.61%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Benefits Provided. The Board selected initial health programs to provide comprehensive health benefits, including doctor and hospital services and prescription drug coverage. These programs will be subject to review and may be changed or replaced by the Board from time to time as may be prudent to serve the purposes specified in the trust agreement into the future. Premiums for those health benefits are paid for entirely by the Trust assets.

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Additionally, class members have the option of terminating their right to receive any health care benefits from the Trust in exchange for a one-time payment of \$20,000. Once a class member begins receiving benefits from the Trust, that class member forfeits the option to receive the \$20,000 payment. Any class member who exercises this option, however, will forever lose the right to receive any and all health, dental, vision and prescription drug health care coverage from the Trust.

Contributions. The Settlement Agreement provides that the City will make contributions to the VEBA in an amount no greater than \$1,500,000 annually, in the event ongoing actuarial valuation reports evidence that the VEBA has an unfunded liability. No employer contribution revenue was recorded in the current year.

Employees Covered by Benefit Terms. At December 31, 2023, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	702
Inactive employees entitled to but not yet receiving benefits	<u>197</u>
Total membership	<u><u>899</u></u>

Net OPEB Liability (Asset). The City's net OPEB liability (asset) was measured as of December 31, 2023.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, which used updated procedures to roll forward the estimated liability to December 31, 2023. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

City of Pontiac, Michigan
Notes to Financial Statements
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(Continued)

Inflation	2.50%
Healthcare cost trend rate	7.25% decreasing 0.25% per year to an ultimate rate of 4.5% in 2028 and later years for pre-65 retirees, and reset to an initial rate of 5.5%, decreasing by 0.25% annually to an ultimate rate of 4.5% in 2026 and later for post-65 retirees
Employer funding policy	Pay-as-you-go cash basis with future benefit payments being paid out of the Trust. No additional employer contributions are expected to be made to the Trust
Investment rate of return	6.50% net of OPEB plan investment expense, including inflation

Mortality assumptions for retired PFRS members and their spouses and dependents who are covered by the VEBA were as follows:

- General retirees and deferred vested employees – Society of Actuaries (“SOA”) Pub-2010 Headcount-Weighted Public Safety Mortality Table, fully generational, using scale MP-2021
- Disabled retirees – SOA Pub-2010 Headcount-Weighted Disabled Public Safety Mortality Table, fully generational, using scale MP-2021
- Surviving spouses – SOA Pub-2010 Headcount-Weighted Contingent Survivor Mortality Table, fully generational, using scale MP-2021

Mortality assumptions for retired PFRS members and their spouses and dependents who are not covered by the VEBA, as well as retired GERS members and their spouses and dependents, were as follows:

- Healthy GERS (currently RGRS) retirees – SOA Pub.H-2010 General Mortality Table, fully generational, using scale MP-2021
- Healthy PFRS retirees – SOA Pub.H-2010 Public Safety Mortality Table, fully generational, using scale MP-2021
- Disabled GERS (currently RGRS) retirees – SOA Pub.H-2010 disabled General Mortality Table, fully generational, using Scale MP-2021
- Disabled PFRS retirees – SOA Pub.H-2010 Disabled Public Safety Mortality Table, fully generational, using Scale MP-2021
- Beneficiaries – SOA Pub.H-2010 Contingent Survivor Mortality Table, fully generational, using scale MP-2021

City of Pontiac, Michigan
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Long-term Expected Rate of Return. The long-term expected rate of return on Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Asset Class	Long-term Expected Real Rate of Return
Equities	60.00%	Domestic equities	5.60%
Fixed income securities	25.00%	International equities	9.20%
Real assets	10.00%	Domestic bonds	3.10%
Private equity	5.00%	International bonds	2.50%
Cash	0.00%	Alternative assets	5.51%
	<u>100.00%</u>		

Discount Rate. The discount rate used to measure the total OPEB liability at December 31, 2023 was 6.50%.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability (Asset). The components of the change in the net OPEB liability (asset) are summarized as follows:

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(Continued)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2023	\$ 68,816,955	\$ 110,221,833	\$ (41,404,878)
Changes for the year:			
Interest	4,262,181	-	4,262,181
Differences between expected and actual experience	5,261,016	-	5,261,016
Changes of assumptions	(7,341,521)	-	-
Benefit payments, including refunds of employee contributions	(6,593,686)	(4,856,788)	(1,736,898)
Net investment income (loss)	-	7,432,637	-
Administrative expense	-	(381,233)	381,233
Other	-	-	-
Net changes	(4,412,010)	2,194,616	(6,606,626)
Balance as of December 31, 2023	\$ 64,404,945	\$ 112,416,449	\$ (48,011,504)

Changes in Assumptions. No changes in assumptions were reported for the year ended December 31, 2023.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate. The following presents the net OPEB liability (asset) of the City, calculated using the discount rate of 6.5%, as well as what the City's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower (5.5%) or 1% higher (7.5%) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
City's net OPEB liability (asset)	\$ (41,364,308)	\$ (48,011,504)	\$ (53,541,488)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend. The following presents the net OPEB liability (asset) of the City, calculated using the healthcare cost trend rate of 7.5%, as well as what the City's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Health Care Cost Trend Rate (7.5%)	1% Increase (8.5%)
City's net OPEB liability (asset)	\$ (53,373,334)	\$ (48,011,504)	\$ (41,670,336)

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Notes to Financial Statements
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OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is provided in Note 17.

OPEB Expense and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2024, the City recognized OPEB expense of \$(1,341,003). At June 30, 2024, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Difference between projected and actual earnings on OPEB plan investments	\$ 14,393,817

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2025	\$ 4,827,169
2026	4,827,169
2027	4,827,169
2028	(87,690)
Total	\$ 14,393,817

**16. OTHER POSTEMPLOYMENT BENEFITS – POLICE AND FIRE RETIREMENT
SYSTEM VEBA**

Plan Description. The Police and Fire Retiree Prefunded Group Health and Insurance Trust (the "Trust") was established as an irrevocable prefunded group health and insurance trust fund for health, optical, dental, and life insurance benefits for retirees who are members of the Police and Fire Retirement System of the City of Pontiac, and who retired on or after August 22, 1996, and their spouses and qualified dependents. The Trust was created as an Internal Revenue Code 501(c)(9) Trust (VEBA). The Trust issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the Trust at 700 Tower Drive, Suite 300, Troy, Michigan 48098.

On April 4, 2017, the City of Pontiac, Michigan announced that a tentative settlement had been reached with regard to retiree health care. In October 2018, the federal judge in the case approved the tentative settlement. The settlement agreement, once approved by various parties, including the Michigan Association of Public Employees (MAPE) and the Internal Revenue Service (IRS), among others, would provide retiree health care benefits to all eligible City of Pontiac, Michigan retirees via the creation of a new VEBA. This new VEBA will be funded by

City of Pontiac, Michigan
Notes to Financial Statements
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(Continued)

utilizing certain overfunded assets from the City of Pontiac General Employees' Retirement System and this Trust. In March 2021, the IRS issued a favorable determination. The Trust and related entities are pursuing efforts to transfer assets, with appropriate IRS approval. As of December 31, 2023, all assets have been transferred to the VEBA Trust.

Method Used to Value Investments. Investments are reported at estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sale price at current exchange rates. Securities not traded on a national or international exchange are based upon quoted prices for comparable instruments with similar yields and risk in active and inactive markets. Investments that do not have an established market value are valued at net asset value (NAV) as a practical expedient to estimate fair value.

Investment Policy. The Trust's policy in regard to the allocation of invested assets is established and may be amended by the Trust's board by a majority vote of its members. It is the policy of the Trust's board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return. For the year ended December 31, 2023, the annual money-weighted rate of return on OPEB plan investments was 14.84%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Benefits Provided. The Trust provides health, optical, dental, and life insurance benefits for retirees who are members of the Police and Fire Retirement System of the City of Pontiac and retired on or after August 22, 1996. During 2013, the board of trustees passed a resolution to expand membership to retirees who retired prior to August 22, 1996. The pre-August 22, 1996 retirees were covered by the Trust effective September 1, 2013 through April 1, 2014. All such benefits are paid out of the Trust.

Contributions. Effective September 1, 2021, retirees are no longer required to contribute for medical, dental or vision premiums. Therefore, there were no retiree contributions during the year ended December 31, 2023. No employer contribution revenue was recorded in the current year.

Employees Covered by Benefit Terms. At December 31, 2023, plan membership consisted of the following:

City of Pontiac, Michigan
Notes to Financial Statements
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Inactive employees or beneficiaries currently receiving benefits	266
Inactive employees entitled to but not yet receiving benefits	<u>42</u>
Total membership	<u>308</u>

Net OPEB Liability (Asset). The City's net OPEB liability (asset) was measured as of December 31, 2023.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, which used update procedures to roll forward the estimated liability to December 31, 2023. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Healthcare cost trend rate	6.50% decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 and later years
Mortality	General retirees and deferred vested employees: SOA Pub-2010 Headcount weighted Public Safety Mortality Table fully generational scale using Scale MP-2021 Disabled retirees: SOA Pub-2010 Headcount weighted Disabled Public Safety Mortality Table fully generational using Scale MP-2021 Surviving Spouses: SOA Pub-2010 Headcount weighted Contingent Survivor Mortality Table fully generational using Scale MP-2021
Employer funding policy	Pay-as-you-go cash basis with future benefit payments being paid out of the Trust. No additional employer contributions are expected to be made to the Trust
Investment rate of return	6.50% net of OPEB plan investment expense, including inflation

Long-term Expected Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the

City of Pontiac, Michigan
Notes to Financial Statements
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(Continued)

target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	52.50%	5.60%
International equity	12.50%	9.20%
Domestic bonds	15.00%	3.10%
International bonds	5.00%	2.50%
Alternative assets	15.00%	5.51%
	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total OPEB liability at December 31, 2023 was 6.50%. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability (Asset). The components of the change in the net OPEB liability (asset) are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at December 31, 2022	\$ 42,096,582	\$ 36,907,596	\$ 5,188,986
Changes for the year:			
Interest	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(3,850,013)	(3,850,013)	-
Net investment income (loss)	-	4,172,197	-
Administrative expense	-	(160,644)	160,644
Other	-	15,002	(15,002)
Net changes	<u>(3,850,013)</u>	<u>176,542</u>	<u>(4,026,555)</u>
Transfer due to merger	(38,246,569)	(37,084,138)	(1,162,431)
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Pontiac, Michigan
Notes to Financial Statements
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Changes in Assumptions. No changes in assumptions were reported for the plan year ended December 31, 2023.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate. The following presents the net OPEB liability (asset) of the City, calculated using the discount rate of 6.5%, as well as what the City's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower (5.5%) or 1% higher (7.5%) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
City's net OPEB liability (asset)	\$ -	\$ -	\$ -

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend. The following presents the net OPEB liability (asset) of the City, calculated using the healthcare cost trend rate of 6.5%, as well as what the City's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1% lower (5.5%) or 1% higher (7.5%) than the current rate:

	1% Decrease (5.5%)	Current Trend Rate (6.5%)	1% Increase (7.5%)
City's net OPEB liability (asset)	\$ -	\$ -	\$ -

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is provided in Note 17.

OPEB Expense and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2024, all of the assets and related liabilities were transferred to the VEBA Trust. Therefore, all OPEB expenses and deferred inflows of resources are recorded in the VEBA Trust.

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Notes to Financial Statements
June 30, 2024
(Continued)

17. FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT FIDUCIARY FUNDS

	12/31/2023	12/31/2023	12/31/2023	12/31/2023	12/31/2023	
	RGERS	RGERS	PFRS	VEBA TRUST	PFRS-VEBA	Total
Assets						
Cash and cash equivalents	\$ 14,324	\$ -	\$ 9,020,013	\$ 7,258,040	\$ -	\$ 16,292,377
Investments at fair value or net asset value:						-
U.S. government securities	-	-	8,777,260	-	-	8,777,260
Common stocks	33,206,476	189,342,396	44,028,157	28,218,206	-	294,795,235
Corporate bonds	729,063	16,302,790	2,273,659	5,194,094	-	24,499,606
Mutual funds	-	-	25,908,345	-	-	25,908,345
Money market funds	-	-	-	2,113,186	-	2,113,186
Government bonds	4,447,411	20,271,927	-	4,571,494	-	29,290,832
Municipal and provincial bonds	8,869,768	22,919,516	-	-	-	31,789,284
Government agency notes	2,640,549	7,992,057	-	-	-	10,632,606
U.S. government mortgage-backed securities	396,033	14,054,340	9,169,083	510,617	-	24,130,073
U.S. Collateralized mortgage obligations	-	-	-	4,700,007	-	4,700,007
Residential and other asset-backed securities	89,996	5,339,416	-	312,179	-	5,741,591
Collateralized mortgage obligations	9,689	-	-	1,582,978	-	1,592,667
Short-term investments	6,611,613	9,751,701	3,098,235	-	-	19,461,549
International equities	-	11,924,317	-	1,639,073	-	13,563,390
Private equity funds	-	20,047,394	50,340,080	13,124,347	-	83,511,821
Commingled funds:						-
Domestic	-	33,262,831	-	5,800,344	-	39,063,175
International	-	15,577,828	-	-	-	15,577,828
Real estate funds	-	30,385,513	19,981,609	-	-	50,367,122
Registered investment companies	-	-	-	37,530,627	-	37,530,627
Collective trust funds	-	-	-	-	-	-
Limited partnerships	-	-	26,321,379	-	-	26,321,379
Accrued interest receivable	236,969	843,551	184,231	138,970	-	1,403,721
Other receivables	-	-	-	-	-	-
Due from RGERS	-	671,228	-	-	-	671,228
Due from PF VEBA	-	-	-	-	-	-
Total Assets	57,251,891	398,686,805	199,102,051	112,694,162	-	767,734,909
Liabilities						
Accounts payable and other	8,541	2,567,305	231,336	277,713	-	3,084,895
Due to City of Pontiac	-	-	-	-	-	-
Due to RGERS	671,228	-	-	-	-	-
Due to City of Pontiac PFRS	-	-	-	-	-	-
Due to City of Pontiac VEBA Trust	-	-	-	-	-	-
Total Liabilities	679,769	2,567,305	231,336	277,713	-	3,756,123
Net Position Restricted For						
Pension Benefits	56,572,122	396,119,500	198,870,715	-	-	651,562,337
Other Postemployment Benefits	-	-	-	112,416,449	-	112,416,449
Total net position	\$ 56,572,122	\$ 396,119,500	\$ 198,870,715	\$ 112,416,449	\$ -	\$ 763,978,786

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Notes to Financial Statements
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(Continued)

	12/31/2023	12/31/2023	12/31/2023	12/31/2023	12/31/2023	
	RGERS	RGERS	PFRS	VEBA TRUST	PFRS-VEBA	Total
Additions						
Investment income:						
Net change in fair value of investments	\$ 4,599,247	\$ 32,168,574	\$ 14,733,144	\$ 6,234,493	\$ 3,630,330	\$ 61,365,788
Interest and dividends	1,197,680	5,760,506	2,992,728	1,198,144	619,899	11,768,957
Less: investment related expenses	(207,745)	(1,851,812)	(496,087)	-	(78,032)	(2,633,676)
Net investment income	5,589,182	36,077,268	17,229,785	7,432,637	4,172,197	70,501,069
Contributions - Employer	-	-	3,819,003	-	-	3,819,003
Plan-to-plan resource movement	-	66,633	-	-	-	66,633
Miscellaneous and litigation revenue	-	-	128	-	15,002	15,130
Total Additions	5,589,182	36,143,901	21,048,916	7,432,637	4,187,199	74,401,835
Deductions						
Participant benefit payments	-	21,314,055	20,363,219	-	3,850,013	45,527,287
Administrative expenses	6,560	947,180	315,333	381,233	160,644	1,810,950
Transfers to City of Pontiac	-	-	-	-	37,084,138	37,084,138
Insurance premiums	-	-	-	4,836,788	-	4,836,788
Opt out benefit payments	-	-	-	20,000	-	20,000
Plan-to-plan resource movement	66,556	-	-	-	-	66,556
Total Deductions	73,116	22,261,235	20,678,552	5,238,021	41,094,795	89,345,719
Change in Net Position	5,516,066	13,882,666	370,364	2,194,616	(36,907,596)	(14,943,884)
Net Position, Beginning of Year	51,056,056	382,236,834	198,500,351	110,221,833	36,907,596	778,922,670
Net Position, End of Year	\$ 56,572,122	\$ 396,119,500	\$ 198,870,715	\$ 112,416,449	\$ -	\$ 763,978,786

City of Pontiac, Michigan
Notes to Financial Statements
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(Continued)

18. CONTINGENT LIABILITIES

Cost Settlements - The City receives grants from the State of Michigan and various federal agencies to fund specific projects. Final determination of grant amounts is subject to audit by the responsible agencies. The City does not believe that disallowed costs will exceed amounts provided for disallowances by an amount material to the financial statements.

Litigation - There are various claims and legal actions pending against the City and its various operating units, many of which are either partially or fully covered by insurance. The City is defending against these actions. In the opinion of City management, the ultimate amount of loss, if any, resulting from these claims and legal actions will not be material to the financial position of the City, except for the following matter -

City of Pontiac Retired Employees Association (“CPREA”) vs. City of Pontiac. On April 4, 2017, the City of Pontiac, Michigan announced that a tentative settlement had been reached regarding retiree health care. In November 2018, the federal judge in the case approved the tentative settlement. Based on the Court’s approval of the tentative agreement a VEBA Trust was established and the new VEBA received funding in 2022 and began providing services to retirees. More recently, the City of Pontiac received a request from Counsel for CPREA to agree to several modifications of the class action settlement agreement, including but not limited to making a temporary monthly increase to pension benefits for the retiree class permanent. The City of Pontiac seeks to add retirees of the local District Court to the class, as a modification to the settlement agreement. The parties are currently in the process of negotiating these various amendments, will obtain actuarial analysis of the impact of the amendments before agreeing to them, and will ultimately seek the Court’s approval for any and all modifications to ensure that they do not work to the detriment of the class. The parties are currently discussing the details of this proposal. Assuming that the parties can reach agreement in the near future, the City anticipates that Court approval will come in mid-2025.

19. TAX ABATEMENTS

The City received reduced property tax revenues during the year as a result of industrial facilities tax exemptions (IFT’s), brownfield redevelopment agreements and other agreements entered into by cities, villages, townships, and authorities within the City.

The IFT’s were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT’s provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the City. The abatements amounted to \$52,895 in reduced City tax revenues for the year.

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. These agreements were entered into based upon the Brownfield Redevelopment Act, PA 381 of 1996, as amended. Under this act, a municipality may create a brownfield redevelopment authority to develop and implement brownfield projects. Tax increment financing may be used as a tool for property redevelopment. The abatements amounted to \$1,161,913 in reduced City tax revenues for the year.

The City also has entered into agreements under the State Housing Development Authority Act, PA 346 of 1966. Under this act, a municipality may allow a payment of a service charge in lieu of taxes to provide housing to elderly persons of low to moderate income. The abatements amounted to \$609,936 in reduced City tax revenues for the year. Finally, the City entered into agreements under the New Personal Property Tax Exemption Act, PA 328 of 1998, as amended. This act affords a 100% property tax exemption for specific businesses located within eligible distressed communities. The abatements amounted to \$2,304,651 in reduced City tax revenues for the year.

20. DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, is as follows:

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

	General	Major Streets	VEBA Retiree Healthcare	Nonmajor Governmental Funds	Total
Nonspendable					
Prepaid items	\$ 33,757	\$ -	\$ -	\$ 602	\$ 34,359
Restricted					
Roads	-	5,953,336	-	1,511,628	7,464,964
Healthcare payouts	-	-	3,800,000	-	3,800,000
Drug enforcement	-	-	-	213,956	213,956
Capital projects	-	-	-	4,479,198	4,479,198
Sanitation	-	-	-	10,040,507	10,040,507
Senior activities	-	-	-	589,048	589,048
Community development	-	-	-	30,460	30,460
Home buyers assistance	-	-	-	47,360	47,360
Cable television	-	-	-	600,949	600,949
Youth recreation	-	-	-	1,998,764	1,998,764
Telecommunications	-	-	-	-	-
Building inspection	-	-	-	2,325,754	2,325,754
Michigan indigent defense	-	-	-	5,339	5,339
Opioid rehabilitation	-	-	-	463,950	463,950
Other	213,064	-	-	2,442,862	2,655,926
Total restricted	<u>213,064</u>	<u>5,953,336</u>	<u>3,800,000</u>	<u>24,749,775</u>	<u>34,716,175</u>
Committed					
Youth recreation	3,200,000	-	-	-	3,200,000
District court	-	-	-	-	-
Total committed	<u>3,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,200,000</u>
Unassigned	<u>46,377,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,377,573</u>
Total fund balances	<u>\$ 49,824,394</u>	<u>\$ 5,953,336</u>	<u>\$ 3,800,000</u>	<u>\$ 24,750,377</u>	<u>\$ 84,328,107</u>

21. NET INVESTMENT IN CAPITAL ASSETS

Following is a summary of the City's net investment in capital assets as presented in the government-wide statement of net position:

City of Pontiac, Michigan
Notes to Financial Statements
June 30, 2024
(Continued)

	Governmental Activities	Business-type Activities	Total
Capital assets			
Capital assets not being depreciated	\$ 28,609,535	\$ 3,042,537	\$ 31,652,072
Capital assets being depreciated, net	61,253,360	4,176,829	65,430,189
	<u>\$ 89,862,895</u>	<u>\$ 7,219,367</u>	<u>\$ 97,082,262</u>
Related debt			
Leases payable	\$ -	\$ -	\$ -
Net investment in capital assets	<u>\$ 89,862,895</u>	<u>\$ 7,219,367</u>	<u>\$ 97,082,262</u>

22. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the City for providing emergency services to its citizens, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. Over the past two years, the City has been awarded funds from various sources to respond to the impacts of the COVID- 19 pandemic. Approximately \$25.8 million received through the State and Local Fiscal Recovery Fund has been reported as unearned revenue and is available to spend at year end. At this time, management does not believe that any ongoing negative financial impact related to the pandemic, if any, would be material to the City.

City of Pontiac
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2024

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Revenues				
Property Taxes	\$ 12,271,143	\$ 12,271,143	\$ 13,641,663	\$ 1,370,520
Income Taxes	18,200,000	18,700,000	20,102,666	1,402,666
Federal Grants	1,010,000	1,454,664	455,019	(999,645)
State Grants	12,975,169	19,475,169	17,916,646	(1,558,523)
Charges for Services	1,468,190	1,182,690	1,338,169	155,479
Fines and Forfeitures	45,000	5,000	1,330	(3,670)
Licenses and Permits	112,500	112,500	109,721	(2,779)
Investment Income (Loss)	2,154,059	4,509,059	5,632,800	1,123,741
Other	3,291,755	3,764,673	3,347,456	(417,218)
Total revenues	51,527,816	61,474,899	62,545,469	1,070,571
Expenditures				
Current:				
General Government	10,749,312	11,683,971	8,849,686	2,834,285
Public Safety	27,133,182	27,383,582	25,933,560	1,450,022
Public Works	4,510,810	6,441,279	3,982,686	2,458,593
Community and Development	2,318,399	2,408,704	1,274,079	1,134,625
Recreation and Culutre	1,893,331	1,908,331	1,110,149	798,182
Retiree Fringe Benefits	4,050,000	4,050,000	3,811,712	238,288
Debt service:				
Principal Repayments	703,935	5,003,935	4,972,467	31,468
Lease Principal	-	-	-	-
Interest	274,543	187,543	186,898	645
Total expenditures	51,633,512	59,067,344	50,121,236	8,946,109
Revenues Over (Under) Expenditures	(105,696)	2,407,554	12,424,234	10,016,679
Other Financing Sources (Uses)				
Transfers In	616,803	640,025	640,025	-
Transfers Out	(4,055,737)	(5,055,737)	(3,454,883)	(1,600,854)
Issuance of Long-Term Debt	-	-	-	-
Total Other Financing Sources (Uses)	(3,438,934)	(4,415,712)	(2,814,858)	(1,600,854)
Net Change in Fund Balance	(3,544,630)	(2,008,158)	9,609,376	8,415,825
Fund balance, beginning of year	40,215,018	40,215,018	40,215,018	-
Fund balance, end of year	\$ 36,670,388	\$ 38,206,860	\$ 49,824,394	\$ 8,415,825

City of Pontiac
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
Major Streets Special Revenue Fund
For the Fiscal Year Ended June 30, 2024

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Revenues				
Federal Grants	\$ -	\$ -	\$ -	-
State Grants	7,024,958	8,024,958	6,995,495	(1,029,463)
Investment Income (Loss)/ Interest Revenue	28,798	128,798	134,963	6,165
Other	-	-	11,617	11,617
Total revenues	7,053,756	8,153,756	7,142,075	(1,011,681)
Expenditures				
Public works	9,681,225	10,994,274	6,932,448	4,061,826
Total expenditures	9,681,225	10,994,274	6,932,448	4,061,826
Net Change in Fund Balance	(2,627,469)	(2,840,518)	209,627	(5,073,507)
Fund balance, beginning of year	5,743,709	5,743,709	5,743,709	-
Fund balance, end of year	\$ 3,116,240	\$ 2,903,191	\$ 5,953,336	\$ (5,073,507)

City of Pontiac
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
American Rescue Plan Act (ARPA) / Progress for Pontiac Special Revenue Fund
For the Fiscal Year Ended June 30, 2024

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Revenues				
Federal Grants	\$ 6,996,173	\$ 13,565,532	\$ 1,396,037	(12,169,495)
Total revenues	6,996,173	13,565,532	1,396,037	(12,169,495)
Expenditures				
Public Works	6,996,173	21,407,483	1,396,037	20,011,446
Total expenditures	6,996,173	21,407,483	1,396,037	20,011,446
Other Financing Sources (Uses)				
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	(7,841,951)	(0)	7,841,951
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ (7,841,951)	\$ (0)	\$ 7,841,951

City of Pontiac
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
VEBA Retiree Healthcare Opt Out Fund
For the Fiscal Year Ended June 30, 2024

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Revenues				
Other	\$ -	\$ -	\$ -	\$ -
Expenditures				
General Government	500,000	500,000	40,000	460,000
Net Change in Fund Bbalance	(500,000)	(500,000)	(40,000)	460,000
Fund balance, beginning of year	3,840,000	3,840,000	3,840,000	-
Fund balance, end of year	<u>\$ 3,340,000</u>	<u>\$ 3,340,000</u>	<u>\$ 3,800,000</u>	<u>\$ 460,000</u>

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CITY OF PONTIAC
REQUIRED SUPPLEMENTAL INFORMATION
REESTABLISHED GENERAL EMPLOYEES' RETIREMENT SYSTEM AND GENERAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
DETERMINED AS OF THE PLAN YEAR ENDED DECEMBER 31,

	RGERS 2023	RGERS 2022	GERS 2021	GERS 2020	GERS 2019
Total Pension Liability					
Service Cost	\$ 184,402	\$ 179,497	\$ 251,497	\$ 219,594	\$ 233,616
Interest	14,453,656	15,609,604	16,433,760	16,988,197	17,384,038
Changes in benefit terms	392,210	-	-	3,277,435	3,402,001
Differences between expected and actual experience	(2,284,077)	(1,166,602)	(6,037,890)	(2,528,619)	1,139,898
Changes in assumptions	-	(12,260,194)	-	40,406,912	-
Benefits payments, including refunds	(21,314,055)	(21,757,276)	(26,890,294)	(27,500,762)	(28,114,053)
Transfer of pension liability from GERS	-	270,854,065	-	-	-
Net change in total pension liability	(8,567,864)	251,459,094	(16,242,927)	30,862,757	(5,954,500)
Total pension liability - beginning of year	251,459,094	-	287,096,992	256,234,235	262,188,735
Total pension liability - end of year	\$ 242,891,230	\$ 251,459,094	\$ 270,854,065	\$ 287,096,992	\$ 256,234,235
Plan Fiduciary Net Position					
Contributions - Employer	-	-	-	-	-
Contributions - Member	-	-	-	-	-
Net Investment income (loss)	36,077,268	(38,420,607)	84,736,747	65,127,780	87,393,680
Administrative expenses	(947,180)	(622,141)	(799,944)	(652,449)	(691,928)
Benefit payments, including refunds	(21,314,055)	(21,757,276)	(26,890,294)	(27,500,762)	(28,114,053)
Plan-to-plan resource movement	-	443,006,450	(8,000,000)	-	-
Other	66,633	30,408	41,963	107,539	55,649
Net change in plan fiduciary net position	13,882,666	382,236,834	49,088,472	37,082,108	58,643,348
Plan fiduciary net position - beginning of year	382,236,834	-	549,899,376	512,817,268	454,173,920
Plan fiduciary net position - end of year	\$ 396,119,500	\$ 382,236,834	\$ 598,987,848	\$ 549,899,376	\$ 512,817,268
City of Pontiac net pension liability - Ending	\$ (153,228,270)	\$ (130,777,740)	\$ (328,133,783)	\$ (262,802,384)	\$ (256,583,033)
Plan fiduciary net position as a percentage of total pension liability	163.09%	152.01%	221.15%	191.54%	200.14%
Covered employee payroll	\$ 784,908	\$ 1,013,588	\$ 1,294,948	\$ 1,349,022	\$ 1,391,765
City's net pension liability as a percentage of covered payroll	-19521.81%	-12902.46%	-25339.53%	-19480.96%	-18435.80%

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CITY OF PONTIAC
REQUIRED SUPPLEMENTAL INFORMATION
REESTABLISHED GENERAL EMPLOYEES' RETIREMENT SYSTEM AND GENERAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
DETERMINED AS OF THE PLAN YEAR ENDED DECEMBER 31,

	GERS 2018	GERS 2017	GERS 2016	GERS 2015	GERS 2014
Total Pension Liability					
Service Cost	\$ 147,521	\$ 350,549	\$ 324,671	\$ 314,272	\$ 279,187
Interest	17,725,816	17,598,425	17,944,933	19,232,034	19,973,828
Changes in benefit terms	3,470,936	10,658,814	-	5,407,365	-
Differences between expected and actual experience	1,839,373	871,705	5,189,027	(23,548,600)	(2,538,358)
Changes in assumptions	-	-	15,686,953	9,124,140	-
Benefits payments, including refunds	(28,199,311)	(26,916,912)	(27,119,534)	(28,052,593)	(27,507,232)
Transfer of pension liability from GERS	-	-	-	-	-
Net change in total pension liability	(5,015,665)	2,562,581	12,026,050	(17,523,382)	(9,792,575)
Total pension liability - beginning of year	267,204,400	264,641,819	252,615,769	270,139,151	279,931,726
Total pension liability - end of year	\$ 262,188,735	\$ 267,204,400	\$ 264,641,819	\$ 252,615,769	\$ 270,139,151
Plan Fiduciary Net Position					
Contributions - Employer	-	-	-	-	-
Contributions - Member	-	-	-	-	-
Net Investment income (loss)	(23,328,559)	67,868,606	34,606,547	(3,414,613)	29,460,854
Administrative expenses	(770,714)	(696,340)	(683,083)	(954,593)	(699,715)
Benefit payments, including refunds	(28,199,310)	(26,916,912)	(27,119,534)	(28,052,593)	(27,507,232)
Plan-to-plan resource movement	-	-	-	-	-
Other	35,826	29,291	5,748	37,357	-
Net change in plan fiduciary net position	(52,262,757)	40,284,645	6,809,678	(32,384,442)	1,253,907
Plan fiduciary net position - beginning of year	506,436,677	466,152,032	459,342,354	491,726,796	490,472,889
Plan fiduciary net position - end of year	\$ 454,173,920	\$ 506,436,677	\$ 466,152,032	\$ 459,342,354	\$ 491,726,796
City of Pontiac net pension liability - Ending	\$ (191,985,185)	\$ (239,232,277)	\$ (201,510,213)	\$ (206,726,585)	\$ (221,587,645)
Plan fiduciary net position as a percentage of total pension liability	173.22%	189.53%	176.14%	181.83%	182.03%
Covered employee payroll	\$ 1,427,628	\$ 1,450,352	\$ 1,540,472	\$ 1,528,731	\$ 1,478,241
City's net pension liability as a percentage of covered payroll	-13447.84%	-16494.77%	-13081.07%	-13522.76%	-14989.95%

Notes:

The amounts presented for each fiscal year were determined as December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

Assumption Changes. In fiscal year 2016, the mortality tables were updated from the 1983 Group Annuity Mortality table to RP-2014 Blue Collar tables. In fiscal year 2017, changes included a decrease in the discount rate from 7.50% to 7.00%, and the mortality tables were updated from RP-2014 Blue Collar tables to RP-2014 Healthy Annuitant Mortality table (unadjusted) projected to 2021 using static projection based on the two-dimensional MP-2014 improvement scales. In fiscal year 2021, the discount rate decreased from 7.00% to 6.00%, the mortality tables were adjusted. The System moved RP-2014 Healthy Annuitant Mortality Table (unadjusted) projected to 2021 using a static projection based on two-dimensional MP-2014 improvement scales to the following: a.) actives: the Pub-2010 amount-weighted, General, Employee, male and female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019, b.) healthy retirees: the Pub-2010 amount-weighted, general, healthy retiree, male and female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019 with male and female rates scaled by 95%, c.) disabled retirees: the Pub-2010 amount-weighted, general, disabled retiree, male and female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019.

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C-53

City of Pontiac
Required Supplementary Information
Reestablished General Employees' Retirement System and General Employees' Retirement System
Schedule of Contributions

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as Percentage of Covered- Employee Payroll
2023	\$ -	\$ -	\$ -	\$ 784,908	0.0%
2022	*	-	-	1,013,588	0.0%
2021	-	-	-	1,294,948	0.0%
2020	-	-	-	1,349,022	0.0%
2019	-	-	-	1,391,765	0.0%
2018	-	-	-	1,427,628	0.0%
2017	-	-	-	1,450,352	0.0%
2016	-	-	-	1,540,472	0.0%
2015	-	-	-	1,528,731	0.0%
2014	-	-	-	1,478,241	0.0%

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

*There are no participants in the GERS as of December 31, 2022, all participants were transferred to RGERS on January 1, 2022.

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Notes to Schedule of Contributions

Valuation Date The most recent valuation is as of December 31, 2023.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Price Inflation	2.00 percent
Wage Inflation	2.50 percent
Salary increases	3.60 - 7.40 percent (includes wage inflation)
Investment rate of return	6.00 percent (net of investment expense)
Retirement age	Age-based table of rates are specific to the type of eligibility condition
Mortality	Actives: The Pub-2010 Amount-Weighted, General, Employee, Male and Female tables, with future mortality improvements projected generationally to 2030, using scale MP-2019. Healthy Retirees: The Pub-2010 Amount-Weighted, General, Healthy Retiree, Male and Female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019 with male and female rates scaled by 95%. Disabled Retirees: The Pub-2010 Amount-Weighted, General, Disabled Retiree, Male and Female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019.

**CITY OF PONTIAC
REQUIRED SUPPLEMENTAL INFORMATION
POLICE AND FIRE RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
DETERMINED AS OF THE PLAN YEAR ENDED DECEMBER 31,**

	2023	2022	2021	2020	2019
Total Pension Liability					
Interest	\$ 16,894,677	\$ 17,156,249	\$ 17,521,865	\$ 17,278,079	\$ 17,523,601
Changes in benefit terms	-	-	-	627,852	666,543
Differences between expected and actual experience	(2,913,219)	(314,580)	281,827	1,610,674	(181,582)
Changes in assumptions	-	-	5,950,258	4,639,281	-556,186
Benefits payments, including refunds	(20,363,219)	(20,535,908)	(20,945,892)	(20,864,910)	(20,587,103)
Net change in total pension liability	(6,381,761)	(3,694,239)	2,808,058	3,290,976	(3,134,727)
Total pension liability - beginning of year	243,211,632	246,905,871	244,097,813	240,806,837	243,941,564
Total pension liability - end of year	\$ 236,829,871	\$ 243,211,632	\$ 246,905,871	\$ 244,097,813	\$ 240,806,837
Plan Fiduciary Net Position					
Contributions - Employer	3,819,003	3,709,236	4,745,450	1,835,294	2,133,428
Contributions - Member	-	-	-	-	-
Net Investment income (loss)	17,114,837	(22,165,562)	33,115,699	19,678,345	33,045,584
Administrative expenses	(315,333)	(339,425)	(306,187)	(365,072)	(297,302)
Benefit payments, including refunds	(20,363,219)	(20,535,908)	(20,945,892)	(20,864,910)	(20,587,103)
Other	115,076	-	1,350	1,482	3,583
Net change in plan fiduciary net position	370,364	(39,331,659)	16,610,420	285,139	14,298,190
Plan fiduciary net position - beginning of year	198,500,351	237,832,010	221,221,590	220,936,451	206,638,261
Plan fiduciary net position - end of year	\$ 198,870,715	\$ 198,500,351	\$ 237,832,010	\$ 221,221,590	\$ 220,936,451
City of Pontiac net pension liability - Ending	\$ 37,959,156	\$ 44,711,281	\$ 9,073,861	\$ 22,876,223	\$ 19,870,386
Plan fiduciary net position as a percentage of total pension liability	83.97%	81.62%	96.32%	90.63%	91.75%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
City's net pension liability as a percentage of covered payroll	0%	0%	0%	0%	0%

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**CITY OF PONTIAC
REQUIRED SUPPLEMENTAL INFORMATION
POLICE AND FIRE RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
DETERMINED AS OF THE PLAN YEAR ENDED DECEMBER 31,**

	2018	2017	2016	2015	2014
Total Pension Liability					
Interest	\$ 17,768,283	\$ 18,015,944	\$ 18,142,691	\$ 17,667,136	\$ 17,801,885
Changes in benefit terms	464,793	765,616	780,417	1,179,108	-
Differences between expected and actual experience	(451,296)	(575,621)	2,964,382	4,777,253	67,662
Changes in assumptions	(434,944)	(606,903)	(2,147,637)	3,437,195	-
Benefits payments, including refunds	(20,631,416)	(21,170,946)	(21,688,683)	(19,751,254)	(19,581,140)
Net change in total pension liability	(3,284,580)	(3,571,910)	(1,948,830)	7,309,438	(1,711,593)
Total pension liability - beginning of year	247,226,144	250,798,054	252,746,884	245,437,446	247,149,039
Total pension liability - end of year	\$ 243,941,564	\$ 247,226,144	\$ 250,798,054	\$ 252,746,884	\$ 245,437,446
Plan Fiduciary Net Position					
Contributions - Employer	2,412,557	1,773,627	2,041,923	2,327,949	901,797
Contributions - Member	-	-	-	-	-
Net Investment income (loss)	(7,116,516)	28,866,568	18,343,180	1,600,942	15,235,786
Administrative expenses	(257,590)	(310,593)	(300,220)	(328,225)	(332,389)
Benefit payments, including refunds	(20,631,416)	(21,170,946)	(21,688,683)	(19,751,254)	(19,581,140)
Other	10,085	5,188	25,735	937	40,754
Net change in plan fiduciary net position	(25,582,880)	9,163,844	(1,578,065)	(16,149,651)	(3,735,192)
Plan fiduciary net position - beginning of year	232,221,141	223,057,297	224,635,362	240,785,013	244,520,205
Plan fiduciary net position - end of year	\$ 206,638,261	\$ 232,221,141	\$ 223,057,297	\$ 224,635,362	\$ 240,785,013
City of Pontiac net pension liability - Ending	\$ 37,303,303	\$ 15,005,003	\$ 27,740,757	\$ 28,111,522	\$ 4,652,433
Plan fiduciary net position as a percentage of total pension liability	84.71%	93.93%	88.94%	88.88%	98.10%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
City's net pension liability as a percentage of covered payroll	0%	0%	0%	0%	0%

Notes:

Contributions to the plan are not based on a measure of pay; therefore, no covered payroll is presented.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

Assumption Changes. During fiscal year 2017, the Retirement System used the RP-2014 Blue Collar Mortality Table with generational improvements using scale MP-2016, as compared to the RP-2014 Blue Collar Mortality Table with generational improvements using scale MP-2015 used in fiscal year 2016. During fiscal year 2018, the Retirement System used the RP-2014 Blue Collar Table with generational improvements using scale MP-2017. During fiscal year 2019, the Retirement System used the RP-2014 Blue Collar Table with generational improvements using scale MP-2018. During fiscal year 2020, the Retirement System used the RP-2014 Blue Collar Table with generational improvements using scale MP-2019. During fiscal year 2021, the Retirement System used the Pub-S 2010 Mortality Table with generational improvements using scale MP-2020. During fiscal years 2022, and 2023 the Retirement System used the Pub-S 2010 Mortality Table with generational improvements using scale MP-2021.

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**City of Pontiac
Required Supplementary Information
Police and Fire Retirement System
Schedule of Contributions**

Year Ended December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as Percentage of Covered- Employee Payroll
2023	\$ 3,819,003	\$ 3,819,003	\$ -	\$ -	0.0%
2022	2,496,606	3,709,236	1,212,630	-	0.0%
2021	2,248,844	4,745,450	2,496,606	-	0.0%
2020	1,835,294	1,835,294	-	-	0.0%
2019	2,133,428	2,133,428	-	-	0.0%
2018	2,412,557	2,412,557	-	-	0.0%
2017	1,773,627	1,773,627	-	-	0.0%
2016	2,041,923	2,041,923	-	-	0.0%
2015	2,327,949	2,327,949	-	-	0.0%
2014	901,797	901,797	-	-	0.0%

Note:

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as the City's year end of June 30, two and one-half years prior to the end of the fiscal year in which the contributions are reported. Contributions for the City's fiscal year ended June 30, 2023 were determined based on the actuarial valuation as of December 31, 2020. The most recent valuation is as of December 31, 2023.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age, level dollar
Asset valuation method	Market value of assets with a 5-year phase in of gains and losses, subject to a 20% corridor
Investment rate of return	7.25%, net of investment expenses
Mortality - Health	PUB-S 2010 Mortality Table with generational improvements using scale MP-2020
Mortality - Disabled	PUB-S 2010 Disabled Retiree Mortality Table with generational improvements using scale MP-2020
Other information	Cost of living adjustments are 2.0 percent simple for 25 years.

**CITY OF PONTIAC
REQUIRED SUPPLEMENTAL INFORMATION
CITY OF PONTIAC VEBA TRUST
SCHEDULE OF CHANGES IN THE NET OPEB (ASSET) LIABILITY**

	Six Months Ended December 31, *	Year Ended June 30,	
	2023	2023	2022
Total OPEB Liability			
Interest on Total OPEB Liability	\$ 4,262,181	\$ 4,371,821	\$ 6,302,330
Difference between expected and actual experience	5,261,016	-	(7,334,838)
Changes in assumptions	(7,341,521)	-	(10,481,223)
Benefits payments, including refunds	(6,593,686)	(5,540,082)	(4,974,321)
Net change in total OPEB liability	(4,412,010)	(1,168,261)	(16,488,052)
Total OPEB liability - beginning of year	68,816,955	69,985,216	86,473,268
Total OPEB liability - end of year	<u>\$ 64,404,945</u>	<u>\$ 68,816,955</u>	<u>\$ 69,985,216</u>
Plan Fiduciary Net Position			
Contributions - Employer	-	-	119,425,585
Contributions - Member	-	-	-
Net Investment income (loss)	7,432,637	3,666,544	(7,716,614)
Administrative expenses	(381,233)	(547,664)	(625,332)
Benefit payments, including refunds	(20,000)	(200,000)	-
Insurance premiums	(4,836,788)	(3,195,286)	(585,400)
Net change in plan fiduciary net position	2,194,616	(276,406)	110,498,239
Plan fiduciary net position - beginning of year	110,221,833	110,498,239	-
Plan fiduciary net position - end of year	<u>\$ 112,416,449</u>	<u>\$ 110,221,833</u>	<u>\$ 110,498,239</u>
City of Pontiac net OPEB liability - Ending	<u>\$ (48,011,504)</u>	<u>\$ (41,404,878)</u>	<u>\$ (40,513,023)</u>
Plan fiduciary net position as a percentage of total OPEB liability	174.55%	160.17%	157.89%
Covered employee payroll	\$ -	\$ -	\$ -
City's net OPEB liability as a percentage of covered payroll	N/A	N/A	N/A

* The VEBA Trust transitioned to a December 31 year-end in 2023.

Notes:

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

**City of Pontiac
Required Supplementary Information
City of Pontiac VEBA Trust
Schedule of Contributions**

Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarily Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as Percentage of Covered- Employee Payroll
December 31, 2023 *	\$ -	\$ -	\$ -	\$ -	0.0%
June 30, 2023	-	-	-	-	0.0%
June 30, 2022	4,974,321	85,450,811	80,476,490	-	0.0%

* The VEBA Trust transitioned to a December 31 year-end in 2023.

Notes:

Actuarially determined contribution rates shown above are calculated as of the beginning of the plan year in which contributions are reported.

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of December 31, 2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal, level dollar
Asset valuation method	Market value
Discount rate	6.50 percent
Mortality rates	Pub-2010 Mortality Tables, Public Safety or General as applicable, projected generationally with MP-2021.
Salary increases	N/A; all participants have retired or terminated employment.
Medical inflation	Non-Medicare: initial rate of 7.25%, decreasing 0.25% per year to a 4.50% long-term rate. Medicare: Initial rate of 5.50%, decreasing 0.25% per year to 4.50% long-term rate.
Retirement rates	N/A; all participants have retired or terminated employment.
Termination rates	N/A; all participants have retired or terminated employment.
Disability rates	N/A; all participants have retired or terminated employment.
Marital status	Marital status and spousal coverage is based on actual spousal information data provided by City.

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**CITY OF PONTIAC
REQUIRED SUPPLEMENTAL INFORMATION
POLICE AND FIRE RETIREMENT SYSTEM VEB
SCHEDULE OF CHANGES IN THE NET OPEB (ASSET) LIABILITY
DETERMINED AS OF THE PLAN YEAR ENDED DECEMBER 31,**

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Interest on Total OPEB Liability	\$ -	\$ 2,745,353	\$ 2,188,092	\$ 2,812,830	\$ 2,857,872	\$ 2,983,381	\$ 2,890,913
Difference between expected and actual experience	-	(494,950)	8,704,264	(8,263,788)	(1,140,426)	(2,597,547)	3,832,503
Changes in assumptions	-	-	6,134,492	-	(3,059,994)	(2,409,464)	551,988
Benefits payments, including refunds	(3,850,013)	(4,705,967)	(3,239,940)	(2,530,663)	(2,614,513)	(2,304,955)	(1,887,615)
Net change in total OPEB liability	(3,850,013)	(2,455,564)	13,786,908	(7,981,621)	(3,957,061)	(4,328,585)	5,387,789
Transfer of total OPEB liability due to merger	(38,246,569)	-	-	-	-	-	-
Total OPEB liability - beginning of year	42,096,582	44,552,146	30,765,238	38,746,859	42,703,920	47,032,505	41,644,716
Total OPEB liability - end of year	<u>\$ -</u>	<u>\$ 42,096,582</u>	<u>\$ 44,552,146</u>	<u>\$ 30,765,238</u>	<u>\$ 38,746,859</u>	<u>\$ 42,703,920</u>	<u>\$ 47,032,505</u>
Plan Fiduciary Net Position							
Contributions - Employer	-	-	-	-	-	4,073,975	-
Contributions - Member	-	-	-	-	-	-	-
Net Investment income (loss)	4,172,197	(6,075,914)	7,043,169	3,023,527	6,263,203	(2,848,439)	4,508,528
Administrative expenses	(160,644)	(94,821)	(94,449)	(46,032)	(49,079)	(55,482)	(95,449)
Benefit payments, including refunds	(3,850,013)	(4,705,967)	(3,239,940)	(2,530,663)	(2,614,513)	(2,304,955)	(1,887,615)
Other	15,002	2,380	15,628	161,792	3,081	29,049	845
Net change in plan fiduciary net position	176,542	(10,874,322)	3,724,408	608,624	3,602,692	(1,105,852)	2,526,309
Transfer of trust assets due to merger	(37,084,138)	-	-	-	-	-	-
Plan fiduciary net position - beginning of year	36,907,596	47,781,918	44,057,510	43,448,886	39,846,194	40,952,046	38,425,737
Plan fiduciary net position - end of year	<u>\$ -</u>	<u>\$ 36,907,596</u>	<u>\$ 47,781,918</u>	<u>\$ 44,057,510</u>	<u>\$ 43,448,886</u>	<u>\$ 39,846,194</u>	<u>\$ 40,952,046</u>
City of Pontiac net OPEB liability - Ending	<u>\$ -</u>	<u>\$ 5,188,986</u>	<u>\$ (3,229,772)</u>	<u>\$ (13,292,272)</u>	<u>\$ (4,702,027)</u>	<u>\$ 2,857,726</u>	<u>\$ 6,080,459</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	87.67%	107.25%	143.21%	112.14%	93.31%	87.07%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's net OPEB liability as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes:

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

Assumption Changes. In 2017, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.10 percent to 6.50 percent. In 2018, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 6.50 percent to 6.90 percent. In 2019, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 6.90 percent to 7.50 percent and mortality table from the SOA RPH-2006 Total Dataset Mortality Table fully generational with SS 2018 improvement scale to various SOA Pub-2010 Headcount-weighted tables fully generational using Scale MP-2019. In 2021, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.50 percent to 6.50 percent. Additionally, the mortality table was updated from the SOA Pub-2010 Headcount-weighted tables fully generational using Scale MP-2021 to various SOA Pub-2010 Mortality tables fully generational using Scale MP-2021. Finally, health care trend rates have been updated to an initial rate of 7.50 percent decreasing by 0.50 percent annually to an ultimate rate of 4.50 percent for pre-65 retirees, and reset to an initial rate of 6.50 percent decreasing by 0.50 percent annually to an ultimate rate of 4.50 percent for post-65 retirees.

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**City of Pontiac
Required Supplementary Information
Police and Fire Retirement System VEBA
Schedule of Contributions**

Year Ended December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2023	\$ -	\$ -	\$ -	\$ -	0.0%
2022	-	-	-	-	0.0%
2021	-	-	-	-	0.0%
2020	-	-	-	-	0.0%
2019	-	2,925,244	2,925,244	-	0.0%
2018	82,480	-	(82,480)	-	0.0%
2017	287,012	-	(287,012)	-	0.0%

Based on the City's fiscal year ended June 30.

The amount shown as contributions for 2019 relate to the court judgement against the City for 2012 contributions, which was partially received in 2019.

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the calendar year in which the contributions are

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal, level percent of salary
Amortization method	Level dollar
Remaining amortization period	27 years
Asset valuation method	Market value
Inflation	2.50 percent
Health care cost trend rates	7.00 percent decreasing 0.5 percent per year to an ultimate rate of 4.50 percent for 2028 and later years
Investment rate of return	6.50 percent
Mortality	Various SOA Pub-2010 headcount-weighted tables fully generational using Scale MP-2021

OTHER SUPPLEMENTAL INFORMATION

City of Pontiac
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds							
	Local Streets	Youth Recreation	Senior Activities	Sanitation	Cable	Building Inspection	Community Development Block Grant	Home Buyers Assistance
Assets								
Cash and investments	\$ 1,439,813	\$ 2,626,203	\$ 713,506	\$ 10,119,049	\$ 598,407	\$ 2,451,244	\$ 30,460	\$ 27,360
Accounts receivable	-	-	-	216,667	24,055	22,300	-	20,000
Taxes receivable, net	-	11,658	4,909	27,677	-	-	-	-
Interest receivable	7,241	-	-	70,034	-	-	-	-
Due from other governments	331,474	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Prepays	-	-	491	-	108	-	-	-
Restricted assets	-	-	-	-	-	-	-	-
Total assets	\$ 1,778,528	\$ 2,637,861	\$ 718,906	\$ 10,433,427	\$ 622,570	\$ 2,473,544	\$ 30,460	\$ 47,360
Liabilities								
Accounts payable	\$ 259,080	\$ 10,024	\$ 5,904	\$ 352,600	\$ 11,104	\$ 67,245	\$ -	\$ -
Accrued wages	7,820	14,816	8,151	1,999	10,409	38,115	-	-
Unearned revenue	-	600,622	105,255	-	-	-	-	-
Due to other governments	-	1,977	652	10,645	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Deposits payable	-	-	4,495	-	-	23,805	-	-
Total liabilities	266,900	627,439	124,457	365,244	21,513	129,165	-	-
Deferred inflows of resources								
Unavailable revenue	-	11,658	4,910	27,676	-	18,625	-	-
Fund Balances								
Nonspendable	-	-	491	-	108	-	-	-
Restricted	1,511,628	1,998,764	589,048	10,040,507	600,949	2,325,754	30,460	47,360
Committed	-	-	-	-	-	-	-	-
Total Fund Balances	1,511,628	1,998,764	589,539	10,040,507	601,057	2,325,754	30,460	47,360
Total liabilities, deferred inflows of resources and fund balances	\$ 1,778,528	\$ 2,637,861	\$ 718,906	\$ 10,433,427	\$ 622,570	\$ 2,473,544	\$ 30,460	\$ 47,360

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City of Pontiac
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds (continued)					Capital Projects	
	Drug Enforcement	District Court	MIDC Grant	PA-48 Tele- communications Allocation	Opiod Settlement	Capital Improvements	Total
Assets							
Cash and investments	\$ 212,178	\$ 845,645	\$ 876,062	\$ -	\$ 463,950	\$ 8,152,847	\$ 28,556,724
Accounts receivable	-	2,318	-	-	-	-	285,340
Taxes receivable, net	-	-	-	-	-	13,837	58,081
Interest receivable	1,778	-	-	-	-	24,907	103,960
Due from other governments	-	-	435,264	-	-	-	766,738
Due from other funds	-	1,693,921	-	-	-	-	1,693,921
Prepays	-	3	-	-	-	-	602
Restricted assets	-	-	-	-	-	-	-
Total assets	\$ 213,956	\$ 2,541,887	\$ 1,311,326	\$ -	\$ 463,950	\$ 8,191,591	\$ 31,465,366
Liabilities							
Accounts payable	\$ -	\$ 14,314	\$ 60,294	\$ -	\$ -	\$ 151,144	\$ 931,709
Accrued wages	-	32,412	1,652	-	-	-	115,374
Unearned revenue	-	-	1,244,041	-	-	3,544,140	5,494,058
Due to other governments	-	-	-	-	-	3,272	16,546
Due to other funds	-	-	-	-	-	-	-
Deposits payable	-	52,296	-	-	-	-	80,596
Total liabilities	-	99,022	1,305,987	-	-	3,698,556	6,638,283
Deferred inflows of resources							
Unavailable revenue	-	-	-	-	-	13,837	76,706
Fund Balances							
Nonspendable	-	3	-	-	-	-	602
Restricted	213,956	2,442,862	5,339	-	463,950	4,479,198	24,749,775
Committed	-	-	-	-	-	-	-
Total Fund Balances	213,956	2,442,865	5,339	-	463,950	4,479,198	24,750,377
Total liabilities, deferred inflows of resources and fund balances	\$ 213,956	\$ 2,541,887	\$ 1,311,326	\$ -	\$ 463,950	\$ 8,191,591	\$ 31,465,366

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City of Pontiac
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds							Community Development Block Grant	Home Buyers Assistance
	Local Streets	Youth Recreation	Senior Activities	Sanitation	Cable	Building Inspection			
Revenues									
Property taxes and special assessments	\$	-	\$ 1,471,603	\$ 438,500	\$ 2,979,151	\$ -	\$ -	\$ -	-
Federal revenue		-	125,628	133,646	-	-	-	-	-
State revenue		2,067,430	42,556	14,183	79,963	-	-	-	-
Charges for services		-	-	-	2,724,051	-	71,416	-	-
Fines and forfeitures		-	-	-	-	-	-	-	-
Licenses and permits		-	-	-	-	-	2,021,918	-	-
Investment income (loss)/interest revenue		31,922	-	67	170,632	22,369	95	-	-
Other revenue		-	1,500	115,575	-	103,461	-	-	20,000
Total revenues		2,099,352	1,641,287	701,971	5,953,797	125,830	2,093,429	-	20,000
Expenditures									
Current:									
General government		-	-	-	-	418,348	-	-	-
District court		-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	2,852,658	-	-
Public works		2,331,003	-	-	4,717,885	-	-	-	-
Community and human services		-	-	978,366	-	-	-	-	-
Recreation and culture		-	1,399,834	-	-	-	-	-	-
Debt payments		-	-	-	-	-	-	-	-
Lease principle		-	-	-	-	-	71,544	-	-
Interest and fiscal charges		-	-	-	-	-	10,915	-	-
Capital outlay		-	-	-	-	-	-	-	-
Total expenditures		2,331,003	1,399,834	978,366	4,717,885	418,348	2,935,117	-	-
Revenues over (under) expenditures		(231,651)	241,453	(276,395)	1,235,912	(292,518)	(841,688)	-	20,000
Other financing sources (uses)									
Transfers in		-	-	-	-	-	-	-	-
Transfers out		-	-	-	-	-	-	-	-
Total other financing sources (uses)		-	-	-	-	-	-	-	-
Net changes in fund balances		(231,651)	241,453	(276,395)	1,235,912	(292,518)	(841,688)	-	20,000
Fund balances, beginning of year		1,743,279	1,757,311	865,934	8,804,595	893,575	3,167,442	30,460	27,360
Fund balances, end of year	\$	1,511,628	\$ 1,998,764	\$ 589,539	\$ 10,040,507	\$ 601,057	\$ 2,325,754	\$ 30,460	\$ 47,360

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City of Pontiac
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds					Capital Projects	Total
	Drug Enforcement	District Court	MDC Grant	PA-48 Tele- communication Allocation	Opioid Settlement	Capital Improvement	
Revenues							
Property taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,377,043	\$ 6,266,297
Federal revenue	-	-	-	-	-	62,501	321,775
State revenue	-	137,172	625,089	-	-	339,200	3,305,593
Charges for services	-	631,719	-	-	-	-	3,427,186
Fines and forfeitures	44,131	824,452	-	-	-	-	868,583
Licenses and permits	-	-	-	-	-	-	2,021,918
Investment income (loss)/interest revenue	3,299	382	-	-	-	46,419	275,185
Other revenue	-	-	-	-	269,668	388,224	898,428
Total revenues	47,430	1,593,725	625,089	-	269,668	2,213,387	17,384,965
Expenditures							
Current:							
General government	-	-	643,253	-	-	-	1,061,601
District court	-	3,491,273	-	-	-	-	3,491,273
Public safety	42,500	-	-	-	-	-	2,895,158
Public works	-	-	-	-	-	-	7,048,888
Community and human services	-	-	-	-	-	-	978,366
Recreation and culture	-	-	-	-	-	-	1,399,834
Debt payments	-	-	-	-	-	-	-
Lease principle	-	-	-	-	-	-	71,544
Interest and fiscal charges	-	-	-	-	-	-	10,915
Capital outlay	-	-	-	-	-	2,078,530	2,078,530
Total expenditures	42,500	3,491,273	643,253	-	-	2,078,530	19,036,109
Revenues over (under) expenditures	4,930	(1,897,548)	(18,164)	-	269,668	134,857	(1,651,144)
Other financing sources (uses)							
Transfers in	-	2,838,080	18,164	-	-	-	2,856,244
Transfers out	-	(18,164)	-	(23,222)	-	-	(41,386)
Total other financing sources (uses)	-	2,819,916	18,164	(23,222)	-	-	2,814,858
Net changes in fund balances	4,930	922,368	-	(23,222)	269,668	134,857	1,163,714
Fund balances, beginning of year	209,026	1,520,497	5,339	23,222	194,282	4,344,341	23,586,663
Fund balances, end of year	\$ 213,956	\$ 2,442,865	\$ 5,339	\$ -	\$ 463,950	\$ 4,479,198	\$ 24,750,377

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City of Pontiac
Combining Statement of Net Position
Internal Service Funds
June 30, 2024

	Self-insurance Workers' Compensation	Insurance	Employee Sick and Vacation	Total
Assets:				
Current assets:				
Cash and investments	\$ 1,564,558	\$ 212,333	\$ 1,132,015	\$ 2,908,906
Accounts receivable	31,004	150,125	-	181,129
Prepays	35,000	7,167,727	-	7,202,727
Total assets	1,630,562	7,530,185	1,132,015	10,292,762
Liabilities				
Current liabilities:				
Accounts payable	5,767	38,819	-	44,586
Accrued liabilities	158,996	977,190	-	1,136,186
Due to other funds	-	4,213,592	-	4,213,592
Current portion of compensated absences	-	-	848,470	848,470
Total Current Liabilities	164,763	5,229,601	848,470	6,242,834
Noncurrent liabilities:				
Compensated absences, net of current portion	-	-	282,823	282,823
Total liabilities	164,763	5,229,601	1,131,293	6,525,657
Net position				
Unrestricted	\$ 1,465,799	\$ 2,300,584	\$ 722	\$ 3,767,105

City of Pontiac
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
June 30, 2024

	Self-insurance Workers' Compensation	Insurance	Employee Sick and Vacation	Total
Operating revenues				
Charges for services	\$ 384,390	\$ 4,133,310	\$ -	\$ 4,517,700
Other	-	1,031,753	-	1,031,753
Total operating revenue	384,390	5,165,063	-	5,549,453
Operating expenses				
Insurance	-	3,928,125	-	3,928,125
Workers' compensation	389,369	-	-	389,369
Employee sick and vacation pay	-	-	(722)	(722)
Total operating expenses	389,369	3,928,125	(722)	4,316,772
Change in net position	(4,979)	1,236,938	722	1,232,681
Net position, beginning of year	1,470,778	1,063,646	-	2,534,424
Net position, end of year	\$ 1,465,799	\$ 2,300,584	\$ 722	\$ 3,767,105

City of Pontiac
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2024

	Self-insurance Workers' Compensation	Insurance	Employee Sick and Vacation	Total
Cash flows from operating activities				
Cash payments to suppliers	\$ (364,721)	\$ (4,834,649)	\$ -	\$ (5,199,370)
Cash received from interfund services	353,716	4,995,573	310,781	5,660,070
Net change in cash and investments	(11,005)	160,924	310,781	460,700
Cash and investments, beginning of year	1,575,563	51,409	821,234	2,448,206
Cash and investments, end of year	<u>\$ 1,564,558</u>	<u>\$ 212,333</u>	<u>\$ 1,132,015</u>	<u>\$ 2,908,906</u>
Reconciliation of operating income to net cash provided (used) in operating activities				
Operating income	\$ (4,979)	\$ 1,236,938	\$ 722	\$ 1,232,681
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Change in:				
Accounts receivable	(30,674)	862,263	-	831,589
Prepays	44,767	(161,038)	-	(116,271)
Accounts payable	(13,001)	21,419	-	8,418
Accrued liabilities	(7,118)	102,098	-	94,980
Due to other funds	-	(1,900,756)	-	(1,900,756)
Interfund payable	-	-	-	-
Compensated absences	-	-	310,059	310,059
Net cash provided (used) in operating activities	<u>\$ (11,005)</u>	<u>\$ 160,924</u>	<u>\$ 310,781</u>	<u>\$ 460,700</u>

City of Pontiac
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2024

	District Court	Current Tax Collection	Total
Assets:			
Cash and investments	\$ 71,711	\$ 75,761	\$ 147,472
Due from other governments	-	-	-
Accounts receivable	-	27,161	27,161
Total assets	<u>71,711</u>	<u>102,922</u>	<u>174,633</u>
Liabilities			
Accounts payable	-	102,922	102,922
Due to other governments	-	-	-
Deposits payable	71,711	-	71,711
Total liabilities	<u>71,711</u>	<u>102,922</u>	<u>174,633</u>
Net position			
Restricted for individuals, organizations and other governments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Pontiac
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2024

	District Court	Current Tax Collection	Total
Additions			
Taxes collected for other governments	\$ -	\$ 35,977,080	\$ 35,977,080
Court collections	1,164,225	-	1,164,225
Total additions	1,164,225	35,977,080	37,141,305
Deductions			
Payments of taxes to other governments	-	35,977,080	35,977,080
Court distributions	1,164,225	-	1,164,225
Total deductions	1,164,225	35,977,080	37,141,305
Change in net position	-	-	-
Net position, beginning of year	-	-	-
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Pontiac
Combining Balance Sheet
Component Units
June 30, 2024

	Tax Increment Finance Authority			Brownfield Redevelopment Authority	Total
	District 2	District 3	Total		
Assets:					
Cash and investments	\$ 353,461	\$ 374,791	\$ 728,252	\$ 370,547	\$ 1,098,799
Property taxes receivable - net	-	-	-	-	-
Total assets	<u>\$ 353,461</u>	<u>\$ 374,791</u>	<u>\$ 728,252</u>	<u>\$ 370,547</u>	<u>\$ 1,098,799</u>
Liabilities					
Accounts payable	-	-	-	-	-
Due to other governments	-	966	966	18,655	19,621
Financial guarantee	3,698,859	3,594,809	7,293,668	-	7,293,668
Total liabilities	3,698,859	3,595,775	7,294,634	18,655	7,313,289
Deferred inflows of resources					
Unavailable revenue	-	-	-	-	-
Fund Balances					
Unassigned	(3,345,398)	(3,220,984)	(6,566,382)	351,892	(6,214,490)
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 353,461</u>	<u>\$ 374,791</u>	<u>\$ 728,252</u>	<u>\$ 370,547</u>	<u>\$ 1,098,799</u>

City of Pontiac
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
Component Units
June 30, 2024

	Tax Increment Finance Authority			Brownfield Redevelopment Authority	Total
	District 2	District 3	Total		
Fund balances (deficits) for component units	\$ (3,345,398)	\$ (3,220,984)	\$ (6,566,382)	\$ 351,892	\$ (6,214,490)
Amounts reported for component units in the statement of net position are different because:					
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows in the governmental funds, and thus are not included in fund balance. Unavailable property taxes receivable	-	-	-	-	-
Deferred charges on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position.	-	298,496	298,496	-	298,496
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.					
Accrued interest on bonds	-	(87,165)	(87,165)	-	(87,165)
Bonds payable	-	(11,350,000)	(11,350,000)	-	(11,350,000)
Net position for component units	\$ (3,345,398)	\$ (14,359,653)	\$ (17,705,051)	\$ 351,892	\$ (17,353,159)

City of Pontiac
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Component Units
For the Year Ended June 30, 2024

	Tax Increment Finance Authority			Brownfield Redevelopment Authority	Total
	District 2	District 3	Total		
Revenues					
Taxes	\$ 335,991	\$ 2,057,927	\$ 2,393,918	152,243	\$ 2,546,161
State revenue	266,660	67,897	334,557	-	334,557
Charges for services	70,000	-	70,000	-	70,000
Contributions from primary government	-	-	-	-	-
Total revenues	672,651	2,125,824	2,798,475	152,243	2,950,718
Expenditures					
Financial guarantee	-	-	-	-	-
Commercial and industrial development	-	-	-	100,330	100,330
Debt service:					
Principal	305,000	1,410,000	1,715,000	-	1,715,000
Interest and fiscal charges	14,488	589,963	604,451	-	604,451
Total expenditures	319,488	1,999,963	2,319,451	100,330	2,419,781
Net change in fund balances	353,163	125,861	479,024	51,913	530,937
Fund balances (deficit), beginning of year	(3,698,561)	(3,346,845)	(7,045,406)	299,979	(6,745,427)
Fund balances (deficit), end of year	\$ (3,345,398)	\$ (3,220,984)	\$ (6,566,382)	\$ 351,892	\$ (6,214,490)

City of Pontiac
Reconciliation of Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
Component Units
For the Year Ended June 30, 2024

	Tax Increment Finance Authority			Brownfield Redevelopment Authority	Total
	District 2	District 3	Total		
Net change in fund balances - component units	\$ 353,163	\$ 125,861	\$ 479,024	\$ 51,913	\$ 530,937
Amounts reported for component units in the statement of activities are different because:					
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	-	-	-	-	-
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increase long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.					
Principal payments on long-term liabilities	305,000	1,410,000	1,715,000	-	1,715,000
Some expenses reported in the statement of activities do not require use of current resources and therefore are not reported as expenditures in governmental funds.					
Change in accrued interest on bonds	2,415	11,163	13,577	-	13,577
Amortization of deferred charge on refunding	-	(42,642)	(42,642)	-	(42,642)
Change in net position of component units	\$ 660,578	\$ 1,504,382	\$ 2,164,959	\$ 51,913	\$ 2,216,872

City of Pontiac
Single Audit
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For the Year Ended
June 30, 2024

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Pontiac
Oakland County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of The City of Pontiac (the City) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 23, 2024.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiency in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haven Group CPAs & Advisors

Haven Group CPAs & Advisors
Taylor, Michigan
December 23, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and
Members of the City Council
City of Pontiac
Oakland County, Michigan

Opinion on Compliance for Each Major Federal Program

We have audited The City of Pontiac's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Compliance for Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance on each of the City's major federal programs. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to its federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Haven Group CPAs & Advisors

Haven Group CPAs & Advisors
Taylor, Michigan
December 23, 2024

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CITY OF PONTIAC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor Pass through Grantor Program Title	Federal AL Number	Award Number	Approved Grant Award	Accrued (Deferred) Revenue July 1, 2023	Current Years Expenditures	Current Years Receipts	Accrued (Deferred) Revenue June 30, 2024
U.S. Department of Treasury							
Direct Funding							
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027	SLFRP3789	\$ 37,717,953	\$ (27,237,197)	\$ 1,396,037	\$ -	\$ (25,841,160)
Passed through Oakland County							
CSLFRF Funds allocated to Robert Bowens Community Center	21.027	SLFRP2640	144,000	(60,616)	60,616	-	-
CSLFRF Funds allocated to Ruth Peterson Community Center	21.027	SLFRP2640	150,000	(73,030)	73,030	-	-
CSLFRF Fund allocated for Skate Park Project	21.027	SLFRP2640	125,000	(80,725)	62,501	-	(18,224)
CSLFRF Fund allocated for Sanitary and Storm Sewer Project	21.027	SLFRP2640	500,000	250,000	-	250,000	-
CSLFRF Fund allocated for Crystal Lake Revitalization Project	21.027	SLFRP2640	500,000	-	-	250,000	(250,000)
Passed through United Way for Southeastern Michigan							
CSLFRF Funds allocated to Out of School Time Learning Support	21.027	SLFRP2640	392,500	-	125,628	196,250	(70,622)
Total U.S. Department of Treasury			<u>39,529,453</u>	<u>(27,201,569)</u>	<u>1,717,812</u>	<u>696,250</u>	<u>(26,180,007)</u>
U.S. Department of Homeland Security Federal Emergency Management Agency							
Passed through Michigan State Police Emergency Management and Homeland Security Division							
Highway Planning and Construction - Auburn Road Diet	97.036	4494DRMI00000001	432,387	-	432,387	432,387	-
Total U.S. Department of Transportation			<u>432,387</u>	<u>-</u>	<u>432,387</u>	<u>432,387</u>	<u>-</u>
Total All Funds			<u>\$ 39,961,840</u>	<u>\$ (27,201,569)</u>	<u>\$ 2,150,199</u>	<u>\$ 1,128,637</u>	<u>\$ (26,180,007)</u>

See Notes to Schedule of Expenditures of Federal Awards

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CITY OF PONTIAC
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of Pontiac (the City) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Pass-through entities, where applicable, have been identified in the Schedule.

Expenditures agree with amounts reported in the financial statements and the Schedule. See below for reconciliation of expenditures reported in the financial statements and on the Schedule.

Revenue reported on financial statements	\$ 2,172,831
Less: FBI gang overtime reimbursements not reported on the Schedule	(22,632)
Expenditure reported on the Schedule	<u>\$ 2,150,199</u>

CITY OF PONTIAC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditors' Report Issued: Unmodified

Internal Control over Financial Reporting:

* Material weakness(es) identified? ___ Yes X No

* Significant deficiency (ies) identified that are
not considered to be material weaknesses? ___ Yes X No

Noncompliance material to financial statements
noted? ___ Yes X No

FEDERAL AWARDS

Internal Control Over Major Programs:

* Material weakness(es) identified? ___ Yes X No

* Significant deficiency(ies) identified that are
not considered to be material weaknesses? ___ Yes X None reported

**Type of Auditors' Report Issued on Compliance
for Major Program:** Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR 200.516(a) ___ Yes X No

Identification of Major Programs

<u>AL Number</u>	<u>Name of Federal Program/Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

**CITY OF PONTIAC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

SECTION I - SUMMARY OF AUDITORS' RESULTS (Continued)

**Dollar Threshold Used to
Distinguish Between Type
A and Type B Programs:**

\$ 750,000

Auditee qualified as low-risk
auditee?

☐ Yes ☒ No

**CITY OF PONTIAC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024
(Continued)**

GOVERNMENT AUDITING STANDARDS FINDINGS

None.

FEDERAL PROGRAM AUDIT FINDINGS

None.

**CITY OF PONTIAC
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**



GOVERNMENT AUDITING STANDARDS FINDINGS

None.

FEDERAL PROGRAM AUDIT FINDINGS

None.

December 23, 2024

To the Honorable Mayor and
Members of the City Council
City of Pontiac
Oakland County, Michigan

We have audited the financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of The City of Pontiac (the City) for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, Government Auditing Standards and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 23, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 23, 2024, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management discussion analysis, budgetary comparison schedules of major funds, schedule of pension contributions, schedule of the City's proportionate share of the net pension liability, schedule of other postemployment benefit (OPEB) contributions, and schedule of the City's proportionate share of the net OPEB liability, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on other supplementary information such as the nonmajor combining statements which accompany the financial statements but are not RSI. Our responsibility for these supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

20500 Eureka Road, Suite 300, Taylor, MI 48180 Phone (734) 246-9240 Fax (734) 246-8635

Planned Scope, Timing of the Audit, and Other

We performed our audit according to the planned scope and timing previously communicated in our discussion with the Mayor, City Council, and management and in our engagement letter about the audit scope and timing.

Qualitative Aspects of Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City are described in Note 1 to the financial statements.

We noted no transactions entered into by City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third-party administrators and subsequent claims activity.
- Management's estimate of landfill post-closure costs have been calculated based on state guidelines and landfill utilization to date.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.
- Management's estimate of the discount rate used for leases, the lease term and lease payments/receipts is based on the City's incremental borrowing rate and consideration of noncancelable period of the lease and reasonably certain lease options.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of net pension liability
- The disclosure of net OPEB liability
- The disclosure of receivables and concentration risks

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements and Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Management has corrected all misstatements noted during the audit. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 23, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the

consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management’s Discussion & Analysis, Budgetary Comparison Schedules of Major Funds, Schedule of The City of Pontiac Pension Contributions, Schedule of The City of Pontiac Proportionate Share of Net Pension Liability, Schedule of The City of Pontiac OPEB contributions, Schedule of The City of Pontiac Proportionate Share of Net OPEB Liability and notes to required supplementary information which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the other supplemental information accompanying the financial statements that are not RSI, as shown in the table of contents, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Mayor, City Council and management of The City of Pontiac and is not intended to be, and should not be, used by anyone other than these specified parties.

Haven Group CPAs & Advisors

Haven Group CPAs & Advisors
Taylor, Michigan
December 23, 2024

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APPENDIX D

**GENERAL FUND FINANCIAL STATEMENTS
CITY OF PONTIAC, COUNTY OF OAKLAND, STATE OF MICHIGAN**

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**CITY OF PONTIAC
COUNTY OF OAKLAND, STATE OF MICHIGAN
GENERAL FUND FINANCIAL STATEMENTS**

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
GENERAL FUND REVENUE			
Property Taxes and Special Assessments	\$9,169,417	\$11,654,255	\$13,641,663
Income Taxes	17,289,957	19,195,736	20,102,666
Federal	130,699	290,483	455,019
State	12,227,122	12,479,232	17,916,646
Charges For Services	1,474,425	1,278,998	1,338,169
Fines and Forfeitures	65,470	22,948	1,330
Licenses and Permits	135,630	117,825	109,721
Investment Income (Loss)	191,202	3,144,949	5,632,800
Other Revenue	<u>2,118,567</u>	<u>2,354,329</u>	<u>3,347,456</u>
Total General Fund Revenue	\$42,802,489	\$50,538,755	\$62,545,470
EXPENDITURES			
General Government	\$6,438,906	\$7,116,445	\$8,849,686
Public Safety	23,949,625	24,904,574	25,933,560
Public Works	2,809,947	3,178,113	3,982,686
Community and Economic Development	1,963,229	958,032	1,274,079
Recreation and Culture	662,315	606,033	1,110,149
Retiree Fringe Benefit	2,549,061	3,948,636	3,811,712
Debt Service:	-	-	-
Principal	294,233	663,700	4,972,467
Lease Principal	66,264	57,278	-
Interest and Fiscal Charges	<u>447,601</u>	<u>315,832</u>	<u>186,898</u>
Total Expenditures	\$39,181,181	\$41,748,643	\$50,121,237
Revenues Over (Under Expenditures)	<u>\$3,621,308</u>	<u>\$8,790,112</u>	<u>\$12,424,233</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	16,056	11,598,116	640,025
Transfers Out	(1,927,667)	(3,684,004)	(3,454,883)
Issuance of Long-Term Debt	<u>330,400</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	(\$1,581,211)	\$7,914,112	(\$2,814,858)
NET CHANGE IN FUND BALANCE	<u>\$2,040,097</u>	<u>\$16,704,225</u>	<u>\$9,609,375</u>
Fund Balance, Beginning	\$21,470,695	\$23,510,792	\$40,215,016
Net Change in Fund Balance	<u>2,040,097</u>	<u>16,704,225</u>	<u>9,609,375</u>
Fund Balance, Ending	\$23,510,792	\$40,215,017	\$49,824,391

SOURCE: City of Pontiac Audited Financial Statements

NOTE: Totals may vary slightly due to rounding

**CITY OF PONTIAC
COUNTY OF OAKLAND, STATE OF MICHIGAN
GENERAL FUND FINANCIAL STATEMENTS**

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
ASSETS			
Cash and Investments	\$21,679,130	\$40,057,846	\$51,429,041
Accounts Receivable, Net	545,216	422,439	753,161
Taxes Receivable, Net	5,198,007	6,481,879	5,885,542
Leases Receivable	1,484,401	1,451,899	1,418,166
Interest Receivable	216,871	395,485	135,503
Due From Other Governments	2,030,272	2,204,716	2,106,682
Due From Other Funds	3,961,050	6,113,592	4,213,592
Interfund Receivable	1,152,633	-	-
Prepays	59,008	165,704	33,757
Restricted Assets	-	-	-
Total Assets	\$36,326,588	\$57,293,560	\$65,975,444
LIABILITIES			
Accounts Payable	\$5,104,711	\$6,342,438	\$5,582,812
Accrued Wages	44,593	392,833	308,272
Unearned Revenue	90,000	106,643	250,000
Due to Other Governments	54,644	887,210	135,727
Due to Other Funds	568,005	1,368,005	1,693,921
Deposits Payable	<u>2,584,196</u>	<u>2,716,687</u>	<u>2,684,136</u>
Total Liabilities	\$8,446,149	\$11,813,816	\$10,654,868
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	\$2,885,246	\$3,812,828	\$4,078,016
Deferred Lease Amounts	<u>1,484,401</u>	<u>1,451,899</u>	<u>1,418,166</u>
Total Deferred Inflows of Resources	\$4,369,647	\$5,264,727	\$5,496,182
FUND BALANCES			
Nonspendable	\$59,008	\$165,704	\$33,757
Restricted	-	-	213,064
Committed	3,200,000	3,200,000	3,200,000
Assigned	5,636,167	4,972,467	-
Unassigned	<u>14,615,617</u>	<u>31,876,846</u>	<u>46,377,573</u>
Total Fund Balances	\$23,510,792	\$40,215,017	\$49,824,394
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$36,326,588	\$57,293,560	\$65,975,444

SOURCE: City of Pontiac Audited Financial Statements

NOTE: Totals may vary slightly due to rounding

Founded in 1852
by Sidney Davy Miller



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Form of Approving Opinion

City of Pontiac
County of Oakland
State of Michigan

We have acted as bond counsel to the City of Pontiac, County of Oakland, State of Michigan (the “Issuer”), in connection with the issuance by the Issuer of bonds in the aggregate principal sum of \$_____, designated 2025 Capital Improvement Bonds (Limited Tax General Obligation) (the “Bonds”). In such capacity, we have examined such law and the transcript of proceedings relating to the issuance of the Bonds and such other proceedings, certifications and documents as we have deemed necessary to render this opinion.

The Bonds are in fully-registered form in the denomination of \$5,000 each or multiples thereof, numbered in order of registration, bearing original issue date of _____, payable as to principal and interest as provided in the Bonds, [subject to/with the option of] redemption prior to maturity in the manner, at the times and at the prices specified in the Bonds.

As to questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding obligations of the Issuer.
2. The Issuer has pledged its limited tax full faith and credit for the payment of the Bonds and, in order to make such payment, the Issuer is obligated to provide, as a first budget obligation, sufficient general fund moneys in its annual budget and, if necessary, to levy sufficient ad valorem taxes upon all taxable property within its boundaries, subject to applicable constitutional, statutory and charter tax rate limitations.
3. The interest on the Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. Further, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. The opinions set forth in this paragraph are subject to the condition that the Issuer comply with all requirements of the Internal

Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal and State of Michigan income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds.

Except as stated in paragraph 3 above, we express no opinion regarding other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

The rights or remedies of bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the City of Pontiac, County of Oakland, State of Michigan (the “Issuer”), in connection with the issuance of its \$_____ 2025 Capital Improvement Bonds (Limited Tax General Obligation) (the “Bonds”). The Issuer covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

(a) *Definitions.* The following terms used herein shall have the following meanings:

“Audited Financial Statements” means the annual audited financial statements pertaining to the Issuer prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

“Bondholders” shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System or such other system, Internet Web Site, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the date of this Undertaking which are applicable to this Undertaking.

“SEC” means the United States Securities and Exchange Commission.

(b) *Continuing Disclosure.* The Issuer hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA, not later than the end of six (6) month after the end of the fiscal year of the Issuer, the following annual financial information and operating data, commencing with the fiscal year ended June 30, 2025, in an electronic format as prescribed by the MSRB:

(1) Updates of the numerical financial information and operating data included in the official statement of the Issuer relating to the Bonds (the “Official Statement”) appearing in the tables or under the headings in the Official Statement as described below:

- a. Population in the City;
- b. State Equalized Valuations and Taxable Valuations;
- c. Top Ten Taxpayers;
- d. City Tax Rates;
- e. Tax Limitations;
- f. Tax Levies and Collections;
- g. Labor Force Organized Groups;
- h. State Revenue Sharing Payments;
- i. Schedule of Employer Contributions (General Employees' Retirement System);
- j. Schedule of Employer Contributions (Police and Fire Retirement System);
- k. Direct and Indirect Debt (Update Direct Debt Only);
- l. Legal Debt Margin Subject to State Limitation; and
- m. Schedule of Bonds with City Credit Pledge;
- n. General Fund Budget Summary – Current Year Only (Appendix B).

(2) The Audited Financial Statements; provided, however, that if the Audited Financial Statements are not available by the date specified above, they shall be provided when available and unaudited financial statements will be filed by such date and the Audited Financial Statements will be filed as soon as available.

(3) Such additional financial information or operating data as may be determined by the Issuer and its advisors as desirable or necessary to comply with the Rule.

Such annual financial information and operating data described above are expected to be provided directly by the Issuer or by specific reference to documents available to the public through EMMA or filed with the SEC.

If the fiscal year of the Issuer is changed, the Issuer shall send a notice of such change to the MSRB through EMMA, prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(c) *Notice of Failure to Disclose.* The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of a failure by the Issuer to provide the annual financial information with respect to the Issuer described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) *Occurrence of Events.* The Issuer agrees to provide or cause to be provided to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; or

- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(e) *Materiality Determined Under Federal Securities Laws.* The Issuer agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) *Termination of Reporting Obligation.* The obligation of the Issuer to provide annual financial information and notices of material events, as set forth above, shall be terminated if and when the Issuer no longer remains an “obligated person” with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(g) *Identifying Information.* All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(h) *Benefit of Bondholders.* The Issuer agrees that its undertaking pursuant to the Rule set forth in this Undertaking is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the Issuer’s obligations hereunder and any failure by the Issuer to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Bonds.

(i) *Amendments to the Undertaking.* Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the Issuer, provided that the Issuer agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the Issuer (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the Issuer in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

IN WITNESS WHEREOF, the Issuer has caused this Undertaking to be executed by its authorized officer.

City of Pontiac
County of Oakland
State of Michigan

By _____

Its:

Dated: _____

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$_____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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